

**THE BOOK WAS  
DRENCHED**

UNIVERSAL  
LIBRARY

**OU\_172694**

UNIVERSAL  
LIBRARY











# **CO-OPERATION IN INDIA**

*BY THE SAME AUTHOR*

**People's Banks : A Record of Social and Economic Success.**

Fourth Edition, 1919. P. S. King & Son, Ltd.  
6s. net.

(A Russian and a Japanese Edition have been published.)

**Co-operative Banking : Its Principles and Practice.**

With a Chapter on Mortgage Credit.

1907. P. S. King & Son, Ltd. 7s. 6d. net.

**A Co-operative Credit Bank Handbook with Rules.**

P. S. King & Son, Ltd.

**Co-operation in Agriculture.**

Second Impression.

1914. P. S. King & Son, Ltd.

(A Russian Translation by Professor Totomianz has appeared at Moscow.)

**Co-operation for the United States.**

1917. The Macmillan Co. \$1.50 net.

**The Future of Our Agriculture.**

1918. P. S. King & Son, Ltd. 12s. 6d. net.

**Rural Reconstruction.**

1921. Selwyn & Blount, Ltd. 15s. net.

# CO-OPERATION IN INDIA

BY

HENRY W. WOLFF

LATE PRESIDENT OF THE INTERNATIONAL CO-OPERATIVE ALLIANCE  
AUTHOR OF "PEOPLE'S BANKS: A RECORD OF SOCIAL AND ECONOMIC SUCCESS,"  
"CO-OPERATIVE BANKING: ITS PRINCIPLES AND PRACTICE," "CO-OPERATION IN  
AGRICULTURE," "THE FUTURE OF OUR AGRICULTURE," AND OTHER WORKS

SECOND EDITION

"The very thing for India! Whatever expectations you may have formed as to its results, multiply them by ten, and you will still find them exceeded."—SIR ARTHUR COTTON to the Author in 1894.

LONDON

W. THACKER AND CO., 2, CREED LANE, E.C.4  
CALCUTTA AND SIMLA: THACKER, SPINK AND CO.

1927

PRINTED IN GREAT BRITAIN BY  
WILLIAM CLOWES AND SONS, LIMITED,  
LONDON AND BECCLES.

## PREFACE TO THE SECOND EDITION

So much has happened in the development of the Co-operative Movement in India since the publication of the First Edition of this book, that a thorough revision has proved necessary. The present edition accordingly contains a good deal of new matter. It is comforting to know that on the whole we may be well satisfied with the progress made in the last seven years and that prospects for further progress are entirely favourable.

H. W. W.

*June, 1927.*



## PREFACE TO THE FIRST EDITION

My chapter "The Coming of Co-operative Credit" will show in what close touch I have stood with the Co-operative Movement in India from the very outset, that is, from the time when, about twenty-five years ago, Sir Charles Bernard on behalf of the India Office first consulted me about the character to be given to Indian legislation upon the subject.

Thanks to the great kindness of the India Office, the Government of India, and the various Registrars of Co-operative Societies, past and present, who have kept me fully informed upon even the smallest details of the progress made, and for which I now express my heartfelt gratitude, I am happy that I am able to say that I have been permitted and enabled to maintain the same close touch up to the present moment. I beg to thank the Registrars, more in particular, not only for the full information freely given, but also for the forbearance with which they have accepted occasional criticism.

My hope to render relations still more intimate by a visit to India, on the invitation, some years ago, of various gentlemen connected with the Movement, above all, of my friend Mr. W. R. Gourlay, the first Registrar in Bengal, was, to my regret, disappointed by an intervening *force majeure*.

But, although I cannot, of course, without personal acquaintance, presume to speak about local conditions, I believe that I know quite enough of the Movement from a purely co-operative point of view to be able to form a judgment upon its merits and its perils, as it stands now.

Notwithstanding that that Movement as yet still covers only a purely fractional part of India, it will have to be admitted that under the judicious guidance and vigorous working, which have marked its progress, it has already rendered admirable services and prospered greatly—as

indeed Anglo-Indians, who know the country well, like the late Sir Arthur Cotton, foretold that it would. It may be said to have thus far only been fairly started. However, this is a case in which the sense of the old Latin proverb may well be held to apply : *Principium dimidium totius*.

But it appears to me that the Movement has now arrived at a stage at which further reflection is seriously called for as to the course to be pursued in future, if Co-operation is to render the full measure of the benefit that one may reasonably look for from it.

In view of this, and of the keen and steady interest which I have all along taken, and still take, in the Movement, and of the intimate acquaintance with Co-operative Credit, and Co-operative Practices generally, under all aspects, and in the most varied parts of the globe, which I have gathered during a series of decades, not least so during the long period in which I stood at the head of the International Co-operative Alliance, I venture to hope that my offering of an opinion will not be considered an unwarranted intrusion, and that the criticism which I presume to pronounce on some points will be kindly received and borne with. Co-operation opens brilliant prospects. But there are at the same time also dangerous pitfalls contained in its practice, which it will be well to avoid.

H. W. W.

*January, 1919.*

# CONTENTS

| CHAPTER   | PAGE |
|---|------|
| I. THE NEED OF CO-OPERATIVE CREDIT IN INDIA . . . . . | 1    |
| II. THE COMING OF CO-OPERATIVE CREDIT . . . . .       | 41   |
| III. THE RESULT . . . . .                             | 71   |
| IV. DISTINCTIVE FEATURES OF THE MOVEMENT . . . . .    | 95   |
| V. THE VILLAGE SOCIETY . . . . .                      | 103  |
| VI. JOINING FORCES . . . . .                          | 155  |
| VII. MORTGAGE CREDIT . . . . .                        | 192  |
| VIII. NON-AGRICULTURAL CREDIT . . . . .               | 208  |
| IX. GRAIN BANKS . . . . .                             | 226  |
| X. THE WIDER OUTLOOK . . . . .                        | 235  |
| XI. THE FUTURE . . . . .                              | 273  |
| POSTSCRIPT . . . . .                                  | 291  |
| INDEX . . . . .                                       | 293  |



# CO-OPERATION IN INDIA

## I

### THE NEED OF CO-OPERATIVE CREDIT IN INDIA

THE passing of the Co-operative Societies Act of 1904 bids fair to rank in aftertime as a turning-point in Indian economic as well as in Indian social history. It marks the advent of an institution greatly needed and of which the want has for a long time been keenly felt, from the ridge of the Himalayas to Comorin Bay. A native Registrar, grown not unreasonably enthusiastic over his administration of the Act, and in view of its thus far really unparalleled results, has pronounced it "the greatest benefit that India has ever yet received." So in very truth it may prove to be.

Of the evil under which India was suffering and which the Act was designed to relieve there could, and there can now, be no doubt. India was a country carrying on skilled Agriculture, cultivating wheat and other standard crops of modern time, tilling its fields with meticulous care and with plenty of evidence offered of physiological and technical knowledge, at a time when in their own unreclaimed mountains and morasses Europeans still hunted the bear and the wolf. Providence has endowed the country with a wealth of natural resources and rare aptitudes for prolific high-class husbandry. We know that the soil of Gujarat is "raw gold." The main hindrance to profitable cultivation is the want of wells. However, an irrigation engineer sent over from the United States some years ago to study the irrigation works completed and in progress in India, in his official Report declared himself enraptured with the glorious opportunities that the apparently inexhaustible resources provide, with which kind Providence has blessed the

country. There is, so he says, water available, by channelling or digging, in plenty; and, generally speaking, a "lie" of the land favourable to irrigation, under a sun which in not a few parts ripens two crops in a year—not to speak of Sir George Watts's "five crops of rice." The "flora" of India is a marvel to Europeans. And to India it is that the country at home looks, not for its tea, cocoa, indigo, coffee, rice and jute only, but now also for its wheat, its cotton and, please God, its sugar. There may be some difficulty about bringing the various elements of rich productiveness, often lying apart, into touch with one another. However, the elements are there. Skill is there. Capacity for labour is there. Arms fit for cultivation are there in plenty. There are the teeming millions of inhabitants—75 or 80 per cent. of the three hundred and twenty-five million inhabitants being wedded to the land. Surely here is an astonishing accumulation of potential agricultural productive power

Nevertheless Agriculture, taken as a whole, has remained backward—backward, at any rate, in quantitative production. The sixty- and hundredfold production of the parable is wanting. There are cases of exceptional productiveness. But on the whole Agriculture fails to bring forth as it might. There was a call, then, for the inquiry lately instituted and now proceeding, from the result of which a stimulus to the master-industry of the country may be expected.

And as Agriculture has been, so, if not worse, has been the lot of those who carry it on. Look where we will, there is misery and crying want of development. From time to time Famine stalks blasting through the land, killing those whom Need had only scotched or kept low—those who should have been able to cultivate so as to prevent it. Governments bestir themselves to the best of their power. No Civil Service in the world has brought forth more capable heads, more feeling hearts, more beneficial work than that of India. Unquestionably also there has been progress—great progress. But all the same the rural community continues in a condition of suffering, destitute and as if paralysed in the springs of its energy. In the great mass of cultivators there is no spirit, no determination, no hope to see things bettered.

The one cause of trouble, in both cases alike, as regards Agriculture and as regards rural life, is essentially the same. We have heard people talk of the "riches of India." Even apart from the abounding resources of Nature, there is supposed to be wealth in the shape of precious metals hidden away in that country such as would astonish people, if there were an Aladdin to bring it to sight with his wonder-working lamp. However, as a productive force India is, in the midst of Nature's rich endowment, in the midst of millions of healthy arms and skilful hands—and hungry stomachs, such as might be expected to stimulate to labour and industry—in truth wretchedly poor. It possesses the raw material, it possesses the arms to convert that material into wealth. But it lacks that drop of gold which would oil the machine, set it going, and turn its wheels as a productive factor. And not only is there want of money, of that working capital without which to-day even the richest material and the most skilful hands are powerless, but, on the top of all this, there is crushing debt.

The country is, so Sir Daniel Hamilton has graphically put it, "in the grip of the mahajan." It is the bonds of debt which shackle Agriculture. It is Usury—the rankest, most extortionate, most merciless Usury—which eats the marrow out of the bones of the raiyat and condemns him to a life of penury and slavery, in which not only is economic production hopeless, but in which also energy and will become paralysed and man sinks down beaten into a state of resigned fatalism, from which hope is shut out and in which life drags on wearily and unprofitably as if with no object in view. There is no use in denying the fact. It is plain to all eyes.

Sir W. Hunter has taken up the defence of the mahajan. He has described him as "the one thrifty person among an improvident population, the basis of the simple Indian system of rural economy, without whose help the Indian cultivator would have nothing to depend upon but the harvest of a single year."

In something of the same strain Sir Denzil Ibbetson, in his most interesting "Report on the Revision of Settlement of the Panipát Tahsil and Karnal Parganah," writes: "The village banker or *sáhúkár* is a much, in my opinion generally a very wrongfully, abused person. Rapacious Jews of the

worst type, to whom every sort of chicanery and rascality is the chief joy of life, and in whose hands the illiterate villager is as helpless as a child, do exist, especially in the cities. But they are well known and only had recourse to in the last resort. It is unnecessary for me to repeat what has been so often and so well said about the absolute necessity for an agency which shall furnish capital to a class who are, as a rule, without it, and shall receive the produce of the fields in exchange for the hard cash in which alone Government will receive its revenue. But this is not the only function they fulfil. The well-to-do villager keeps his whole accounts with the moneylender; he seldom stores any amount of grain in his house, as he has no means of protecting it, but makes over to his banker the produce of the harvest, and draws upon him for his daily wants. The account is precisely similar to that kept by an English farmer with his banker, but with this cardinal distinction—that the English farmer starts with a deposit, and has, as a rule, a balance to his credit, whereas the Indian farmer has, as a rule, nothing to deposit at first, and would not deposit it if he had. He starts with a credit, and, however well-to-do, always owes something to his banker. If he has any surplus wealth, he as a rule conceals it, or sinks it in jewels for his wife till the time comes for a wedding in his family, when he will spend the whole of it, and an advance from his banker besides. He not infrequently, unless really indebted, sells his produce to travelling traders at a higher rate than he could get for it in the village; and he very commonly lends money himself, in a small way, to his friends and fellow-villagers, and is generally exceedingly longsuffering in his treatment of them.

“Nor is the banker himself generally so exacting as he is often said to be. He charges monthly interest at the rate of a paisa in the rupee— $18\frac{3}{4}$  per cent. per annum—when his client is a substantial man, and from 25 per cent. upwards when the credit of the latter is doubtful. He credits grain received at a seer a rupee more, and debits it at as much less than the market rate. But his chances of loss are often great, the periods of credit are generally long, and at the time of settlement allowances are made and a compromise effected more generally than would be thought possible. His loans are

often secured by a mortgage (*gehna, girvi*); but the mortgage is seldom recorded; for in most villages it is thought disgraceful to have one's land shown as mortgaged in the Government papers, and so long as the client is reputed honest, the banker does not press for an entry, though it would greatly enhance his security. The mortgagor, too, almost always continues to cultivate the land, and generally at a fairly moderate rent. It is the city Banya, in particular, that is often as unscrupulous and rapacious as he can be painted. And in one respect our rules favour his knavery. It is a universal rule among the people that, till the deed of alienation has been registered, if registration is necessary, and till mutation of names has been effected in the Government records, the whole of the money is not paid, and possession of the land is not given. At the same time people believe that registration will not be made unless payment of the consideration in full is admitted, while our rules expressly forbid our ordering mutation of names, unless transfer of possession is shown to have taken place. Thus the alienator must perforce, in order to complete the transaction, admit full payment and transfer of possession before either has been made; and the alienee, if unscrupulous, withholds the balance due and sues for possession; and the admissions of the alienator, duly recorded, precludes the possibility of defence. . . . In times of drought and famine the Banya is the villager's mainstay; without him he would simply starve." Nevertheless, the same Sir Denzil Ibbetson in another place records the fact that at the opening of the ploughing season raiyats habitually address an earnest prayer to *Dharti Māta* (Mother Earth) to this effect: "Keep our rulers and *our bankers* contented, and grant a plentiful yield; so shall we pay our revenue and *satisfy our money-lender*." The latter gentleman accordingly does not appear to be generally considered only a "mainstay."

Professor Radha-kamal Mukerjee likewise has a good word to put in for the mahajan. "The moneylender," so he writes, "is called by the ryot the *jater* and *pater mahajan*, the guardian of his honour, and the supplier of his food. He supplies the cultivator not only with food at the time of need, but also with *hat* expenses every week, with capital for buying stock, and with cash for providing himself and his family with clothes, without which they would fast be

reduced to needy paupers." But on another page he complains, "Their (the mahajans') sole motive is to make profit." And elsewhere again he exposes some of the tricks by which they succeed in doing so—rather exorbitantly.

Now it is perfectly true that the mahajan renders useful services which, as Indian society is at present constituted, are actually indispensable. But there is nothing to show that the conditions are immutable which make them so. Also, it is not the *services* which we are now quarrelling with, but the *price* exacted for them. In the same way that the mahajan is indispensable to the raiyat, is the rapacious sweater indispensable to the East End drudge, to the heroine of Thomas Hood's "Song of the Shirt," and was the American planter indispensable to his negro slave. The large-scale banker and billbroker are as indispensable to the British merchant and manufacturer. But they render their services on very different terms. And if the present constitution of Indian society renders usury and peonage so indispensable as to make it acceptable to these advocates of the mahajan, evidently the duty of humane men and women is to do what they can to get that constitution altered. And that is the very thing that co-operators in organising Co-operative Credit are "out" for. The mahajan is there because former masters of India, and in part our modern ordering of things according to Western ideas, have—in addition, so it must in fairness be conceded, to long-established customs of inheritance and the like, which have grown too tight for the greatly enlarged body of an increased population—made the raiyat poor. And wherever there is Poverty, there Usury may with certainty be counted upon to show its hideous head, resolved to fatten upon its helpless victims.

"A vast body of raiyats," so writes Sir F. Nicholson—speaking for the time specifically of Madras Presidency—"habitually live only by means of borrowing; they could not begin to cultivate without borrowing seed, cattle, grain for maintenance, etc., so that their crop is pledged in advance . . . so that on settlement of accounts the cultivator has little to go on with and must again borrow; in famine years these men have practically no resource. The raiyat must feed himself and his family. He must pay his kists. And, if there is no money to pay them with—as is usually the

case—and the revenue officer stands at the door, there is no alternative but to go to the mahajan."

Thus the descent to the Avernus is made easy—and rapid. Our legal procedure and the curious view sometimes taken of these things by judges hasten the process. The mahajan seemingly claims what he likes. The poor raiyat cannot put in an appearance. His usual explanation, when taxed with such apparent remissness, appears to be that he is "too poor." *Pecuniosus damnari non potest*, says Cicero. "Cash rules the world," says Byron. The mahajan swears to whatever he pleases. He puts in documents which are allowed to pass because they are not challenged. Generally speaking the sole record of the business transacted is his own ledger. And so judgment goes against the poor cultivator. And the sucking dry of the poor fly by the voracious spider begins—destined not to end, very likely, till the raiyat is hopelessly dispossessed of his holding, has pledged his very children and has himself become a slave.

A "slave" is the proper term, as Mr. E. L. L. Hammond—a man who evidently keeps his eyes open and his mind alert—explicitly points out in the last Annual Report which he wrote in his position as Registrar of Co-operative Societies in the Provinces of Bihar and Orissa. He quotes the very "contracts," as they are termed, written in dog-legal phrase. And a sad revelation his tale is. There are the "contracts," drawn up in semi-legal form, by the village scribe. They are, of course, an imposition on the debtor's ignorant simplicity. "They bear an eighteen-anna stamp, are duly signed and witnessed, and the thumb impression of the man himself, and sometimes of his family as well, appear thereon." They are not of ancient date—before the "Commission on Slavery" sat in 1836. They bear date of 1303 Fasli, which, according to our calendar, is 1896, and later. The borrower therein hands himself over to actual slavery, to plough the lender's field; to do his bidding at any work. "If I show any laziness or default in service or in all and any work of cultivation with the plough, I will make repayment on the security of my field or out of my personal property." In 1905 a man agreed to "plough, till the land, and carry bamboos from the hills, cut weeds and straw, and fill tubs with chopped straw and watch fields and villas, etc." In some cases the son is included in the service. These

contracts may be "an imposition," as Mr. Hammond indeed calls them. But the service is a sad reality. And under the benign ruling of the Courts, adjudication goes in the majority of cases in favour of the lender.

In a recent number of *Better Business*, a monthly print issued in connection with the Irish Agricultural Organisation Society, Mr. Joseph Johnston tells a gruesome story, for the truth of which he vouches, of a mahajan who, as the last resource of an oppressed debtor clientèle, as the one remedy concluded to be effective, was, by unanimous decree of those debtors done to death—assassinated on his way home—by one who had offered to render the service gratis—when a particularly cruel act had driven his debtor slaves to despair. The murderer was found out and charged—but let off, as Mr. Joseph Johnston testifies, not without ready willingness on the part of the magistrate—on the score of a flaw in the pleading.

To such ills does the reign of Debt and Usury lead! Justice, helpless, under our Code and its own cast-iron precepts, to protect the injured, openly sympathises with "the wild justice of revenge." And we shall have to bear in mind, as Sir F. Nicholson rightly reminds us, that "it is only the gross cases which attract attention, while the ten thousand ordinary ones are unnoticed." We do not hear anything like the full report.

Listen to the distressing review of things as they are given by Sir Daniel Hamilton: "The power which stands in the way of India's economic development is the power of evil finance—the want of a banking system *for the people*. The people have many bankers but no bank. The land lies blighted by the shadow of the mahajan. Go where you will, you find the people weary of waiting for a money monsoon which never breaks. They look to the heights of Simla and the plain of Delhi for the cloud with the silver lining, but the cloud never sparkles into showers.

"Last month I spent ten days in the Deccan, a land thirsting for water and for money. As I went round the village I asked the people why they grew cotton which yielded them a crop worth only thirty or forty rupees an acre, when they might grow sugar-cane which would give them ten times as much. I put the same question in every village and got the same reply in each: 'We cannot grow

sugar-cane because we have no money. The seed alone will cost us more than a hundred rupees an acre and a well will cost three or four hundred rupees more. We are deep in debt, and if we borrow more, we shall be utterly undone.' And so the sugar industry and the people both languish. The weavers are held up by the same evil power. The mahajan sells them his yarn at his own price, and takes over their cloth at his own price, and so the weavers and the handlooms languish, and the web of India's life is cut short. I go down to Orissa and the cry is the same: 'We want bunds to hold up the rainfall and rice; but bunds cost hundreds and thousands of rupees, and how can men with an income of two or three annas a day find hundreds and thousands of rupees?' So the people have to go without the rice they covet, and Orissa, for want of bunds, is being washed into the Bay of Bengal. I go up to Bihar and find the same deadly mildew at work, blight, blight, blight everywhere. The mahajan still lies safely entrenched behind his money bags, while the victims of his silver bullet lie all round in heaps. When is this dacoity to cease? The raiyat is robbed of his crops, his cattle of their food, the weaver of his cloth, a dry and thirsty land is robbed of irrigation, and of education, and of medicine and of that economic development without which spiritual and moral progress is an idle dream. India stands a thousand years behind the times, because the mahajan with his ruinous rate of interest stands athwart the path of progress. Only along the Co-operative Route will India find the way from poverty to plenty."

So abject is the raiyat's dependence upon the mahajan, that he literally dares not call his soul his own. In 1894 the late General Booth, of the Salvation Army, wrote to me asking for an interview. He had read my book, "People's Banks," the first edition of which was brought out early in 1893. He had an ambitious scheme for benefiting India then on the stocks. He was going to create a large Salvation Army Settlement. We have had similar schemes, but not quite as ambitious, brought forward since. General Booth's idea was that of settlements in which raiyats' families converted to Christianity might find occupation, profit, happiness, liberty and contentment. To carry out his ambitious enterprise he had secured the services of a

very capable man, one Lagercrantz, who, oddly enough, had only just exchanged from a captaincy in the Swedish Guards, a very crack and aristocratic corps, into a colonelcy in the Salvation Army. In due course, I may add, he found his way back into service under his sovereign as a diplomatist.

"My difficulty," so General Booth explained to me, "is this, that no sooner have I gained a raiyat over to accept the Christian faith"—and of course he would have only Christians as settlers—"but the mahajan steps in and threatens to draw to the noose which the raiyat permanently carries round his neck, and make an end of him by selling him up. Now, to meet this obstacle there is only one way: we must provide a competing institution, which can take over the mahajan's rôle and step into his place. Now can you frame us rules for such an institution?"

It was a knotty and a thorny job. For in our credit societies the governing principle is absolutely democratic administration, freedom coupled with correspondingly strict individual responsibility for all. General Booth, on the other hand, would have nothing but military discipline. Like Cornelius, so he put it, "we say to one man 'come' and he cometh, and to another man 'go' and he goeth." The ambitious scheme eventually broke down, not on the point of the proposed credit societies, which never materialised, but on that of the settlement.

Where the evil which produces such results is as plainly declared as it is in India there can be no doubt about the diagnosis. *Res ipsa loquitur*.

Writing in the *Bengal Co-operative Journal*, Dr. Nevill Chambers has given expression to the opinion that, to bring relief, legislation against usury is urgently called for. The Viceregal Council has occupied itself not a little with schemes for suppressing usury by law. However, Legislation has never yet succeeded in grappling successfully with Usury, any more than locksmiths could place a bar in the way of Love. Usury laughs at laws. We have had an example lately in England. In 1896—I think it was—we had a Select Committee of the House of Commons sitting on the subject of measures to be taken against Usury. I gave evidence before it—not on the subject of legislation, but on that of something better, as I thought, something

that would crowd it out, if properly handled, that is, Co-operative Credit. On the ground of the Report of that Committee Sir Henry James, as he then was, brought in and carried an Anti-Usury Act. It has proved a fiasco—though the late Lord James of Hereford was undoubtedly a clever lawyer and a capable legislator.

Let the legislator legislate, if he so pleases! All that one will be willing to hope for is that in legislating ingeniously he will not find himself doing more harm than good. For the mahajan, as has been said, has his uses. Sir W. Hunter and Sir D. Ibbetson are right up to that point. He, after all, provides the money without which rural economy would come to a dead standstill. We sang a doggerel song in England some seventy years ago threatening awful things to him who would be cruel enough to “rob a poor man of his beer.” Then how is he to fare who robs the poor man of the only money that he has any chance of procuring for himself? Our mahajan, though an abominable pest, is not deliberately cruel. It is, as a paper recently issued by one of the Provincial Governments puts it, the raiyats’ ignorance that tempts the mahajan to his extortions. He charges exorbitant terms because he is practically the only lender in the market. He has no one to compete with him.

Evidently things cannot be left as they were. Some remedy must be devised. And the proper remedy—on this point there could be no doubt—is to bring another “Richmond” into the field to combat the exacting and oppressive mahajan. Or, rather, in such an extreme case as that of India, in which immediate redress is called for, there must be two “Richmonds.” The first is that doughty warrior, extolled by every one but not as universally worshipped: Thrift. Whatever else may be said in praise of Indian habits and character, thrift, so every one appears agreed, is not one of their distinctive features. In respect of an unthrifty disposition the Indian may be said to deserve the palm. There are writers who excuse this, but no one, so far as my reading and hearing goes, ventures to deny the fact. Sir Denzil Ibbetson will have it that even the fairly well-off Indian rather borrows, when the rainy day of an unexpected call upon his purse comes, and resignedly allows the debt so contracted to run on, than lay by against it or

exert himself to pay it off. Professor Mukerjee says that the cultivator "stoops under the heavy burden" (of "an enormous rate of interest"), "but does not improve his position." And if he does lay by, he does so in an uneconomic and unproductive way.

Now there is no stimulus to thrift, economically soundly regulated thrift, which makes savings fructifying to the owner's and the community's benefit, like Co-operation. That fact has been admitted wherever Co-operation is practised. Men of great authority, representing such diverse interests as the late Lord Avebury, a representative of the banking interest, and Sir Edward Brabrook, for many years an ideal Registrar of Friendly Societies in England, have both publicly recommended Co-operative organisations as model savings institutions, preferable to ordinary savings banks, on this ground, that they make the depositors the administrators of their own savings.

But that is not at present my point. My point is this, that co-operative credit institutions, be they ever so humble and so diminutive, not only very successfully attract savings deposits into their own cash boxes—we have seen some such results already in India, in the shape of deposits coming in, as will still be shown, in unlooked-for abundance, and of concealed treasure being taken out of its hiding-place to be invested fructifyingly with credit societies—but, on the top of this, saving in co-operative societies has been found to evoke a saving instinct, which carries savings into other receptacles designed for thrift deposits as well. And that is surely wanted in India. What money does the Indian Post Office Savings Bank attract? Professor Mukerjee will have it that barely 2 per cent. of the population hold deposits in it. That is sad; but it is really not to be wondered at. For the Post Office Savings Bank comes to the Indians with a strange face; it is to them an alien institution. However, Post Office Savings Banks have been as badly off elsewhere prior to the advent of Co-operation.

In the early 'nineties, when I carefully investigated the doings and position of co-operative credit institutions in Italy—of the remarkable effects of which in attracting savings men like Léon Say and Eugène Rostand had shortly before expressed their great admiration—the Italian Post Office Savings Bank, then already some ten years old, having been

introduced by Sella and M. Luzzatti after the British model—could scarcely be said to be “in it” as a receiver of deposits, by the side of other savings banks and Co-operative Banks. It held about one-fifth only of the national savings—even less, if we take the deposits in ordinary commercial banks into account. Now the position is completely changed. The Post Office Savings Bank rides the high horse. The co-operative village institutions, penetrating into every hamlet, preaching thrift everywhere and enforcing it, have altered the habits of the rural Italian—who has been as unthrift as the Indian raiyat. The Post Office Savings Bank now heads the list. Brilliant as has been their success in the collection of deposits for their own tills, the Co-operative Institutions have, in truth, made the running for the Post Office Savings Bank—but without detriment for themselves. At the same time, even in the early 'nineties, when I began my inquiries, it was admitted that the savings deposits collected by the Co-operative Banks had made no inroad whatever upon the takings of the long-established Public (not Post Office) Savings Banks, which even then had a glorious record. They are in truth the most unselfish and public-spirited savings banks existing. The Directors of those Savings Banks told me this. And, not content with telling me, they fetched out their books to prove it. There had been no diminution, as the figures showed, not even a slackening in the increase of their takings, since the Co-operative Banks had come into the field as ostensible rivals.

In Germany there has of late been rivalry. But that is only because the Savings Banks (not Imperial, but provincial, municipal or district institutions) have in their greed for money gone beyond their proper sphere in the investment of their “capital,” in a manner which thoroughly shocked our Chancellor of the Exchequer of the time, Lord St. Aldwyn, when I told him of it. They lend out money against pronotes on purely personal security. In the United Kingdom, jealous as our bankers are, and have repeatedly shown themselves to be, no one has ever breathed a word to suggest that the deposit-taking of our Co-operative Stores, which has yielded immense sums, has in the least interfered with their own business. In Russia the stimulating effect of Co-operation as a promoter of thrift has been very striking.

According to a recent Report of Russian Co-operative Credit Societies the deposits taken by such societies increased from January 1, 1913, to January 1, 1918, from only 650,000 roubles to 150,000,000 roubles. It was during the war, and owing to the emancipation of Co-operation from bureaucratic rule, that Co-operation, more particularly Co-operative Credit, took its great bound upward, which somehow even the Revolution and Bolshevist disorder have not checked.

In a comparatively small Trustee Bank in Sussex, of which I was for some years one of the "Managers," we had—to state only one instance—a depositor, an old shepherd, who had for years and years gone on laying by—as Indians are in the habit of doing, when they lay by at all, unfruitfully—in a stocking. He had in this way during a long life collected a goodly sum. One day his little granddaughter succeeded in persuading him to put his money into our savings bank. And the emotion of that man was really humorously touching, when he came periodically to collect his interest. "What a fool I have been," so he said, "to leave that money lying idle all these years, when I might have got by it such a welcome addition to my little income."

That is the feeling that one ought to try to arouse in the Indian storer-away of jewellery and gold ornaments. And not selfishly so, in the interest of Co-operation only. Provoke the habit of thrift and the mahajan's rule with all its attendant evils and abominations, its peonage, the hopelessness of the raiyat's existence, the clog upon agricultural development, will find its days numbered. Usury comes with poverty. Thriftlessness is its parent. Create thrift, and usury goes as the devil is supposed to do at the sight of holy water.

However, Thrift by itself is not enough for such a serious and chronic state of disease as that prevailing in India. There is too wide a space between the sowing of it and the ripening. Our starving man requires food on the spot to sustain life. India cannot in its present condition do without Credit.

Now, Credit is a great deal declaimed against and denounced as a hopeless and certain snare, and any number of familiar wise saws and proverbs, as well as biblical texts, are quoted against it—which saws and proverbs and texts are

perfectly sound in their own bearing. However, the people who so declaim against Credit and denounce it evidently do not know how to distinguish between legitimate and illegitimate, productive and improvident, Credit. For there are both. And at the time when the Bible was written and even when those wise saws and proverbs were coined—which are of far more recent date—Credit of the modern sort, which is the outcome of our modern banking system, was altogether unknown. The Credit there denounced is the old-style improvident Credit, such as the raiyat has taken from the mahajan, which is the rottenest of all money transactions, because only in a small minority of cases, in which the borrower has sufficient grit, and moral and economic strength and opportunity to boot, does it help him out of his difficulty. It is never resorted to except in a difficulty or a case of distress. And its usual effect is to make the borrower sink deeper and deeper in the mire—just as the raiyat does when borrowing from the mahajan, who, in contrast with a commercial bank or a credit society, fixes his terms exorbitantly high, just because he has a most doubtful customer to deal with, and cannot tell if he will be repaid.

On the other hand, when a man of grit and skill and honesty sees his opportunity, with the aid of borrowed money, to produce what will more than repay the loan, there can be nothing more legitimate, nothing more sound. Because it not only tends to enrich the borrower with a reward for honest enterprise, and in the course of its use in all probability will give employment to labour and provide a fresh outlet for material and implements and machinery, but by creating new value it will also benefit the community. That is the Credit on which the entire business organisation of the modern world, from State economy downwards, is based. All that enormous economic progress which the world has made—which economic progress, as the late Lord Goschen has remarked, carried moral progress in its train—developing Commerce, Industry, and Agriculture, is due to such Credit—and is, in Mr. H. Dunning Macleod's words, "its proper child." And there is infinite scope for more such progress springing from the same root. However, unfortunately, Credit has thus far remained the monopoly of those only who, as one would think, should

need it least—that is, the moneyed classes. To them, really, the best gain that their own money has brought has been that of attracting more money by means of Credit. Now it seems high time that, with the general democratisation of all things, such productive Credit—no other is here pleaded for—should be democratised also, that is, brought to the doors of those who may be assumed to need it most, in whose hands, rightly employed, it is likely to yield the largest return, because there it will be to the largest extent mixed with the other productive factors, personal labour and directly applied intelligence—intelligence applied to the smallest details ; and because it brings assistance, and the prospect of wealth and comfort, to the broadest part of the social pyramid, in which every human molecule stands to gain by its use and the whole lump promises to be leavened for good.

A lakh of rupees distributed among a thousand deserving and producing people, who know how to use it well, is likely to do more social and economic good and fructify more to the profit of the community than the same sum handed over to one man. It is the special office of Co-operation to create and organise such Credit, which capitalist banking *cannot* organise, because, compelled as it is to trust only to property as security, it does not possess the means of creating security out of the extant material : honesty and opportunity alone. It cannot test all the humble cases occurring, take the necessary security in a form other than mere property, and afterwards watch over the loan made so as to ensure its repayment.

Credit, as it has been said, there must be. But that Credit must be dispensed on bearable terms. To such we know already, from what has actually happened in India, and what so experienced an administrator of Credit as Mr. Mitra has put on record, that mahajan usury yields readily. Mr. Mitra has shown that in his Province of Bengal, in at any rate some localities, into which economically justifiable Credit has found its way, the mahajan has ceased to have “any importance as a village institution.” Without such fair Credit in India it is very plain that national economy could not be carried on. It would be idle to think of remedying the existing want of money by any other means. The wealthiest Government in the world,

the richest Cræsus among philanthropists, could not provide the hundredth part of what is wanted, by means of a gift. And a good thing it is that it is so. For money unborrowed, which must mean unearned, would only be too likely to make the receiver reckless and unthrifty. Whatever is earned—that is, has been paid for—is sure to be carefully handled. The object to be aimed at is to produce wealth. Borrowed money will do that quite as well as owned. The hired steam plough ploughs its field as effectively and as cheaply as the owned one. Hired money, which has to be repaid, has, however, this economic advantage over owned: It will of a surety—at any rate in most cases—be laid out so as to be certain to reproduce itself—and “leave a blessing behind,” in the shape of property produced, which will be all the more likely to prove abiding, just because it has been earned and laboured for. The problem, therefore, is to create a form of credit which will, by reason of the fairness of its terms, admit of being handled in the way here spoken of.

In India, when the subject was first mooted, there was a load of debt, larger than any one would care to reckon up in figures, weighing upon the immense class carrying on the main industry of the country in a manner which defied the possibility of redemption by anything that could be given out of resources already accumulated, whosoever might be the giver. Year by year the noose was being drawn tighter, properties were sold up, owners became tenants and in due course peons. Alienation Acts like that for the Punjab would delay the completion of the process, but could not prevent the poor cultivator's sinking deeper and deeper into the abyss. And Agriculture was kept languishing. Pusa, Cawnpore, Poona, Chota Nagpur, Coimbatore, and the rest of the seats of agricultural teaching and administration, excellently officered as they are, did their best to perfect it, discovering improved and more heavily yielding varieties of seed, devising better processes, recommending more perfected implements. Without money in the raiyat's pocket all these devices proved in practice thrown away. There was no connection practicable between Tantalus and the coveted, deliciously tempting fruit.

As a matter of course, individuals seeking for methods of relief, indispensable under the circumstances, then turned

their eyes instinctively to Government. Naturally people look to Government for help. There is an ingrained, inherited traditional idea in men's minds that Government is the "father" of the Nation. Government is, not in India alone, supposed to have an inexhaustible fund of riches at its disposal, which it is at liberty, without counting the cost, to draw upon at pleasure, and to employ without any sense of responsibility, except that for being fair in its distribution to every one, in whatever way it may deem fit. Governments have tried to help in such a fairy-godmother way under many suns. However, practical experience has not left their helping with the best of records. Whatever may have been ostensibly achieved, at the close of the account it has been found that the money so spent has been thrown away. Peter had been robbed to pay Paul, without either being the better for it.

Some attempts so made and found to end in miscarriage will be specifically referred to.

In India there were, in truth, in the matter of help to be rendered, two problems to be dealt with. One was, to come to the rescue of Agriculture as a calling. The other was to improve the condition of the raiyat by helping him out of his throttling debt. There is, of course, a direct connection between the two. For the raiyats are agriculturists and Agriculture is carried on by raiyats. All the same there is also a clearly-marked-off distinction. The one case is economic and the other social. Government has thus far, within the measure of its power, addressed itself to the first-named problem. By means of *takavi* it has provided money for the sinking of wells, the provision of pure seed, the purchase of fertilisers and feeding-stuffs and perfected implements and for similar agricultural improvements. If the help given has realised only very partial results, the cause is not to be found in the absence of excellent intentions, but merely in the insufficiency of the instrument which alone the Government could employ. In respect of the second problem—otherwise than by such legislation as that against land alienation—fruitful action was found to lie clearly beyond the limits of governmental power.

*Takavi* is, as the Irrigation Commission of 1901-1903 has found in its inquiry and stated in its Report, a very old-established form of Government help, granted "from time

immemorial " by the Imperial as well as by native Governments to necessitous cultivators. It consists in loans of public money, granted at the rate of from 3 to 6½ per cent.—more generally at 6½ per cent., which the Indian Government in its Resolution of November 30, 1905, judged to be sufficiently low. In Madras, Bombay and Bengal for a long time the rate was 5 per cent. *Takavi* is regulated by provisions laid down severally in the Land Improvement Act (xix. of 1883), and the Agricultural Loans Act (xii. of 1884), the former of which gives power for outlay on improvements such as wells, bunds, embankments, terraces and the like ; the latter authorises outlay, having more short-termed employment for its object, such as the purchase of seeds, implements and so on. Dr. Voelcker, in his travels on the tour of inquiry—which at the instance of the Government he undertook in the early 'nineties—found that one or two officers entrusted with the distribution of the fund had stretched a point rather considerably, by granting *takavi* advances for the purpose of paying off debts owing to the mahajan or sáhúkár, in order to replace them by loans burdened with only a moderate rate of interest. Admirably conceived as such use of public money is—provided that the cases warrant it and that there is certainty of recovery—it is not quite easy to see how such employment can be brought within the terms of either of the empowering statutes.

The credit so dispensed does not raise the question which otherwise in dealing with credit is the most important, that is, the question of security—though of course, under the Government's summary power of recovery, in truth all the possessions of the borrower, whether real or personal, come to be pledged—in preference, too, to other claims. The Government must be assumed to have, through its officers, ascertained the amount of confidence due to the borrower—who in truth often enough was not a *claimant* for credit, but had the credit *pressed* upon him. And certainly it possessed the power of recovery, if such were at all practicable. For *takavi* money is recoverable by the Revenue officer.

There is a second question which this kind of credit likewise fails to touch, a question much to be considered when the lender is the Government—that is, the question of the distinction to be made between long-termed mortgage credit and short-termed credit given for momentary wants

—for working purposes. *Takavi* is distinctly given for working purposes, as a complement to the borrower's own working capital. Although the borrower's land is, when necessary, seizable as security, the loan is still not given on mortgage lines.

Now, in the shape of working credit, although *takavi* has doubtless achieved *some* good, it cannot be pleaded that its record is absolutely immaculate, or that it has accomplished all, or nearly all, that was aimed at by its use. In the words of the Resolution of November 30, 1905, a document already mentioned, it was to add to agricultural efficiency and increase the total produce of husbandry. There have been substantial sums paid out and, although there has been some difficulty in recovering loans, on the whole the money has come back without much diminution.

Both the Famine Commission of 1901 and the Irrigation Commission of 1901-1903 have made a most careful investigation of the working of the system, and the Irrigation Commission has embodied in its bulky Report the fullest record extant of its effects, a review both of its merits and its defects. It reasonably complains of "the hardship of rigid recovery, as seriously restricting its application, and also its benefits, and impairing its popularity." These facts the Government likewise recognises in the Resolution named and directs them to be mitigated. The method of collection certainly seems open to criticism, as occasioning serious difficulty for the debtor. He is, as Mr. J. P. Brander—who, to judge from an interesting and instructive letter which I have received from him, has devoted much attention to this matter—explains, required to repay *just when he is worst off for money*. "The practical result is, that many raiyats are unable to repay and Government has to remit large sums of money, advanced in loans, again and again." Or else the raiyat, dropping from the dripping-pan into the fire, has to take refuge with the merciful mahajan.

Dr. Voelcker in his interesting "Report on the Improvement of Agriculture in India" echoes this criticism, naming as one of the various "objections raised by the cultivators to the *takavi* system," that "the Government insists on punctual payment of interest and repayment of the loan"—whether the cultivator has his grain in or not. And the Irrigation Commission writes :

" There is no cause of the alleged unpopularity of the *takavi* system which has more frequently been testified to than the rigidity of the system of collection. . . . Government never or rarely gives time. There can be hardly any doubt that this does constitute an objection in the mind of the cultivator to become a debtor to the Government. . . . It is not merely that he has to pay the interest. That would probably be no greater burden to him than an addition to his land-revenue assessment, which he pays with remarkable punctuality. But he has also to pay an instalment of principal which, if his crops are poor, may be a considerable burden. The Collector or head of the district has authority, under the rules, in all provinces, to suspend payment on the occurrence of failure of crops or other exceptional calamity, subject, however, to a report to higher authority. But this power of suspension is not very frequently exercised, except in years of very general failure of crops ; and when it is, the result is merely to postpone payment of the instalment for a single season, with the result that in the ensuing year the cultivator has to pay double the annual amount. The increased payment has often to be raised with difficulty, and it is probable that under the circumstances cultivators would seldom care to apply for suspension of *takavi* payment." By its " Resolution " of November 30, 1905, the Government of India has given authority, and to a certain extent imposed an obligation, to mitigate all this. To what extent its wishes have been carried out I have no means of knowing.

On other grounds, on Mr. Keatinge's showing, still to be quoted, the unpopularity of *takavi* has not grown less. But certainly, on the whole, in spite of all the objections raised, the money appears to have come back satisfactorily. The Commission named, after pronouncing its censure, goes on to admit : " Where advances are made by the Government agency the returns show that it is but seldom that there are arrears of any long standing and the State loses very little on this account." The adverse effect exercised accordingly appears to be more shown in restricted outflow of *takavi* than in deficient return. The figures published by the Commission in its Report, covering the decade concluding with the financial year 1900 to 1901—which was a year of comparatively very heavy borrowing,

raising the average for the decennium by a considerable amount—show this.

And it certainly is a count against *takavi* that in consequence of its unpopularity, even if there were no other objection, it has been only so little used. The cultivator has fought shy of it. And the land has accordingly gone without the intended benefit. The trouble has been to persuade the raiyat to take the loan.

The efforts which it has proved necessary to make to induce him to do so remind one of the early labours of the Agricultural Section of the Bank of Egypt—the Section which subsequently was expanded into the “Agricultural Bank of Egypt”—whose emissaries literally had, in the first years, as the Report of our Consul-General shows, to stalk about the country with bags of gold coin on their backs, with the chink and glitter of which to allure reluctant fellaheen to accept advances. Indeed, the Indian Government’s “Resolution” of 1905 suggests something precisely of the same sort.

The difficulties attaching to the *takavi* system are plainly set down in its record. “It is not perhaps too much to say,” so reports the Irrigation Commission, “that the history in the fluctuations of the amounts of *takavi* taken up in any province is the history of the interest taken in the matter by the individual officers who were quick to apprehend the kind of improvements which the agriculture of their district required, and the value of *takavi* as a stimulus to the execution of such improvements as were most suitable to the locality and its needs.” It is “where vigorous measures had been started on the initiative of the individual officer” that *takavi* business was done. It was *the officer* who was to discover the needs and press the loan upon the raiyat. An active officer would make a busy market. An indifferent one, or one who did not understand the peculiar needs of improvements or who lacked the power of persuasive oratory, would make an idle one. Now that does not appear altogether the correct way of transacting credit business. One can understand usurious moneylenders indulging in such practice; for they have their “profiteering” profit to get out of it. But where a good work and sound business are intended it seems decidedly putting the cart before the horse. The Agricultural Bank of Egypt

has had its reward in a huge number of seemingly irrecoverable loans.

Under *takavi*, owing to the conditions explained, quite naturally results vary very greatly as between different districts. The figures quoted by the Irrigation Commission show that within the decade concluding with the summer of 1901 something like £4,000,000 had been lent out. But that decade includes the year 1900-1901, in which alone *takavi* outgoings mounted to Rs. 867,693. Taking the result at its best, it does not amount to very much for India; and one can scarcely wonder at its failing to achieve even its most immediate purpose, that of stimulating Agriculture as a calling. For the removal of popular distress, indebtedness to the mahajan, improvement of the rural standard of life, economic and moral, and intellectual raising of the raiyat population, its application appears to have done nothing at all.

In this connection a word or two may be permissible, or even appear called for, on a companion case to that of *takavi*, which was, in truth, probably suggested by it—that is, the credit given by the Agricultural Bank of Egypt, which—in the shape projected, and comparable to that of *takavi*—has practically come to an end with the passing of the Five-Feddan Act, which renders properties up to five feddans incapable of serving as pledges, but which, oddly enough—such is human perversity—has even after its euthanasia found admirers in India.

In Egypt in 1898, when Sir Evelyn Baring, afterwards Earl Cromer, was at the height of his influence there, the National Bank of Egypt was called into being, having as one of the special tasks set to it in its Charter the obligation to distribute Government money—at the time it was £E250,000—in loans, similar to *takavi*, among the fellaheen. I confess that I was much disappointed at the time. And I do not think, from what he himself subsequently told me, that Lord Cromer would have acted in quite the same way over again, had it been his fate once more to take the initiative. As a matter of fact, since some years previously the Egyptian Government had been considering how Co-operative Credit might be made available for the native cultivating population, who certainly seem to have stood in urgent need of judicious financial assistance. Lord

Cromer at the time spoken of likewise thought in the first instance of Co-operative Credit, and I was informed by the late Lord Ilkeston that I was about to be consulted on this matter. To my disappointment and surprise out came shortly after the scheme actually adopted. I have questioned Lord Cromer at a later stage, when he sat as a Select Committee-man of the House of Lords on my "Thrift and Credit Societies Bill" of 1910. He was then altogether, and enthusiastically, in favour of Co-operative Credit, in opposition to paternal action—more particularly of Co-operative Credit as a help for cultivators. His explanation was that, at the time when he carried through the formation of the National Bank of Egypt he did not consider the Egyptian fellaheen quite "ripe" for Co-operation. Now one can understand his thinking so. But in truth there never was a greater mistake made—as results have proved. And really there is no better educator for credit business than Co-operation.

However, in 1898 in Egypt that was not yet understood. But if I have been correctly informed, there was a hitch, and it was this. There was a question of law and also of international understanding blocking the way. There was the consent of a good many cooks required at that time for making the broth. And it is not always easy to get the representatives of a number of different Governments to act in unison. But this by the way.

Co-operation having been ruled impracticable for the time, it was not unnatural that Lord Cromer, who as Sir Evelyn Baring had spent three years in the Indian service, and was familiar with *takavi*, should have by preference taken that as a model for his own much-needed remedial action. Remedial action of some sort was, as it happened, clamorously called for by circumstances, as they existed. For not only was cultivation then terribly backward, but the reign of usury among fellaheen was nearly, if not quite, as grim and oppressive as it now is in India. It seems a little odd that, just as Sir F. Nicholson has observed with regard to Madras, we should find a good number of Mahomedans, abjurers of "interest" as they are, among the rapacious host of moneylenders. However, religious precepts are apt to give way when brought into conflict with personal interest.

Alike with a view to countering the Egyptian mahajan, and to promoting more productive husbandry, the Egyptian Government had for a couple of years already—since 1895—tentatively dealt out loans where it considered that such would prove useful, and where its officers could persuade the rather refractory cultivators to accept them. It was at that period, and under the circumstances already referred to, that the Government agents were sent about with their burdens of ringing and shining gold. In 1896 it made £E10,000 (about Rs. 1,50,000) available for the purpose, of which sum £E7,700 was actually placed in the shape of loans and was honestly repaid—short of about Rs. 300 in all. Fellaheen, like raiyats, are remarkably honest at the outset. In 1898 this office was transferred to the then newly formed “National Bank.” The money employed was still the Government’s. Subsequently the business became altogether one of the Bank, but with Government aid. The money was lent out at 9 and 10 per cent. in two kinds of loans: Short-term loans on personal security but proportioned to the ascertained value of the land held by the borrower, down to amounts of £E½. The maximum limit originally stood at £E20; but it has long since been raised to £E200. Besides these, there were long-term loans secured on the land, rising at first to £E300, but later to £E1,000. By 1902 the amount outstanding on the two kinds of loans had grown to £E1,208,200 in 46,572 accounts. In view of such increase it was judged advisable to create a special banking institution for this work, and accordingly the “Agricultural Bank of Egypt” was called into being, with power to engage in other banking business besides, which it appears to conduct with skill and also with success, but with a distinct precept to cultivate business with the fellaheen, advancing money in amounts not exceeding £E100 on real security (mortgages on the land) or £E5 on personal security (but regulated by the ascertained value of possession held in land), for current purposes. Very complicated arrangements were resorted to to ensure that the security pledged was really good and made thoroughly secure—arrangements which imperatively demand active assistance from public offices, with the right of inspecting land-tax registers, and collection by the Government tax-gatherer under, if necessary, compulsory process.

"The assistance rendered to the Bank," so wrote Sir Eldon Gorst, Lord Cromer's successor in the Consul-Generalship, in his Report home in 1911, "has not been confined to the collection of its instalments by the tax-collector. No efforts have been spared by the officials to bring home to defaulting debtors a sense of their obligations, and there is no doubt that, at all events in Lower Egypt, these efforts have had considerable effect on the returns." Nevertheless, as we shall see, recovery was bad, and went from bad to worse.

The machinery adopted was highly complicated. There was sending documents backwards and forwards and there were ample opportunities for levying backsheesh. All this is certainly not a recommendation for the acceptance of the system in India. That is, however, not all that wants to be said. In course of time the erst-reluctant fellaheen grew keen in their appetite for loans. That is an experience common in cases of popular credit made easy. And it is invariably accompanied by an increasing indisposition to repay, as the shifts come to be discovered by which repayment may be for a time, or indefinitely, evaded. And they are freely resorted to, with an admirable resource of cunning. The complicated arrangements devised to regulate the loaning, involving numerous references from pillar to post, quite naturally added a further incentive to the evasion of repayment. There was a great boom at the time in Egypt, which tempted and almost drove people into extravagance and improvidence. Values of property in land shot up like Jonah's gourd. A fellah might, if he had been providently disposed, get rid of his entire mortgage debt by selling the sixth part of the property pledged for it. However, such chances were only rarely taken advantage of. There was not sufficient provision made for the restriction of Agricultural Bank lending for productive purposes only. Accordingly people borrowed for indulgence in luxuries and extravagant living.

In 1910 it was found that among about 40,000 borrowers 2,500 were in arrear. And the financial member of the Khedive's Council frankly admitted: "It is to be feared that the difficulty experienced by borrowers to repay their borrowing is, in only too many cases, the consequence of the improvident employment given to the money lent them.

The practical conclusion to be drawn from this observation would be, not to grant loans asked for except for remunerative purposes. But it is evident that a bank is wholly incompetent to make sure what its 250,000 customers propose to do with the money borrowed by them. A solution might possibly be found in the creation of co-operative credit societies, acting as intermediaries between the bank and the cultivators. Their guarantee would safeguard the bank against any danger of loss, and on the other hand they would keep the borrower in hand, so as to make sure that no advance would be granted except for a remunerative purpose." And the Board of Directors stated in their annual Report: "It is to be feared that in only too many cases the inability of the borrowers to meet their engagements arises from an unproductive employment of their loans," thus accounting for a large amount of loans not recovered.

In 1911, Professor Arminjon, an old resident in Egypt, and a keen observer of economic goings-on there, a teacher at the *École de Droit* of Cairo, wrote in his very valuable book, "*La Situation Économique et Financière de l'Égypte*," remarking upon this question: "The idea suggesting the foundation of the Agricultural Bank was of the happiest. . . . The peasantry have largely drawn upon its resources—now grown to £E8,000,000 (that is, of twelve crores of rupees; at the present time they stand at £E10,310,000—that is, fifteen crores). To what uses has this enormous capital been put by them? Only too often to one that was quite unproductive: to pay the expense of some merrymaking, to buy some young fellow off his military service. Even where the loan has not been squandered in this fashion it has often enough been wasted upon the purchase of land that did not pay the interest and sinking fund of the loan. During the last two years the Bank has been able to recover its loans only partially and with great difficulty."

In the same year Sir Eldon Gorst, who had succeeded Lord Kitchener (Lord Cromer's successor) as Consul-General in Egypt, wrote: "There appears to be little doubt that the fellah has accustomed himself during the last few years to a higher scale of living, aided thereto by the increase in the value of his crops and by the loans of the Agricultural Bank . . and that it is only by the

severest pressure of circumstances that he can be brought to recognise the necessity of fulfilling his obligations at the sacrifice of comfort. He is also realising more fully that he can delay repayment of his debts to the Bank with temporary impunity. There is evidence also of a considerable amount of borrowing from the village moneylenders during the less favourable seasons of 1908 and 1909. When a fellah owes money both to the Agricultural Bank and to the money-lender, there is no doubt that the latter recovers his money before the Bank."

In 1904, when Sir F. Nicholson, after a visit paid to Egypt, recommended the system of the Agricultural Bank of that country for imitation in India, the Government caused a careful inquiry to be made into the matter by a highly competent authority, as the result of which it found that the Egyptian system would not at all do for India, for the following, among other, reasons: (1) The Government machine is in India quite unsuited for it. Among other things India knows of neither *omdeh* nor *saraf*, village officers indispensable for the conduct of the business; and the Government could not find the staff of rather higher officers who in Egypt are paid a miserable salary to do the necessary work at a cost proportioned to the business. (2) The Government could not in India give the information respecting title and the value of property which is indispensable for a loaning service after the Egyptian pattern. That would be so even in *raiyatwari* districts. In *zemindari* districts the matter would be quite impossible. (3) The Indian Government could not place the services of the tax-collector at the disposal of such a Bank. And (4) the business of the Egyptian Agricultural Bank, even when showing a good income, shows a steady decline of just the small loans which it is particularly desirable to encourage. Loans of Rs. 75 and under went down rapidly.

In spite of all official assistance, recovery had indeed become hopelessly bad. In 1910 arrears amounted generally to 18.9 per cent. of the payments due. For Upper Egypt they stood at 53.8 per cent. And they went from bad to worse. By 1913-14 they had grown to 26.4 per cent. In 1914-15 under exceptionally unfavourable circumstances they stood at 74.4 per cent. The figure for 1915-16, being the last in my possession, was 25.8 per cent. Surely that is

bad enough. In 1913 there were legal proceedings pending against 2,544 defaulting debtors, among a total of about 40,000. The number eventually grew so large that proceeding in Court was out of the question. That would have been similar to Burke's "indicting a nation."

In 1913, as it happened, a kindly meant law, benefiting the fellaheen in another way, practically deprived the Agricultural Bank of the business for which more in particular it had been called into being. The Five-Feddan Act granted to properties not exceeding five feddans—the feddan is somewhere about the size of an acre—"home-stead" rights, exempting them from liability to be attached for debt and thereby depriving them of their qualification to serve as security for loans. "This is a complete reversal of the policy of the Egyptian Government that led to the formation of the Bank," so wrote the Directors in their next following annual Report—the Bank "which was founded with the object of lending to the small cultivators on the security of their land. . . . Of the 235,000 clients now on the books of the Bank the large majority are holders of five feddans or less. The law thus reduces the business of the Bank by two-thirds. . . . It will be necessary to create a new system of Agricultural Credit."

The "new system" to be adopted evidently is the co-operative—which means that the very object for which the Bank was created, endowed with a large capital and invested with far-reaching powers and privileges, has not been attained, and that the great capitalist and "paternal" scheme has failed. The Bank is a good, strong Bank for all that, which finds plenty of other remunerative business to do, and to all appearance does it well—just as did Gambetta's *Caisse Centrale*, although failing in its original object, as an aid to popular credit.

As already observed, authorities in Egypt have for some time been addressing their attention to the subject of the creation of a Co-operative Credit Movement. The Agricultural Bank, for its own part, finding itself foiled in its original purpose, has for a time been endeavouring—possibly designedly, as a preparation for a more co-operative scheme, or else as a tentative probing of the ground—under powers newly conferred by the Government, to afford financial assistance to "Agricultural Syndicates" and, in

the shape of "collective loans," to "groups of cultivators." The results, however, of this attempt have remained derisory, amounting to only £E20,000 in one year and £E6,000 in the next.

The tale, then, of the "Agricultural Bank of Egypt" is manifestly, as an example for India, a tale of failure—as it was bound to be and as the tale of every similar enterprise taken in hand, with the same laudable motive but on similar ineffective lines, has been before it. There have been not a few such attempts.

The services of the Agricultural Bank, by the way, have not contributed at all satisfactorily to the improvement of Agriculture and its productiveness in Egypt. In spite of them "cotton-sickness" has gone on increasing because the land is being uneconomically worked out. Certainly the fellaheen have not been rendered more thrifty. Rather have the facilities for obtaining money without proper guarantees for economic employment turned a thrifty race into an improvident one, which is one of the most detrimental disservices which can be rendered to a country. Also the number of cultivators and farms has not been increased; there has been no extension of "settlement." Sir Eldon Gorst, the late Consul-General, in one of his annual Reports, calls pointed attention to this. "The impression that the loans have contributed to augment the number of small owners is erroneous. The Bank does not lend to any one not already possessed of land, so that it cannot create new individual holdings."

To return for one brief moment to *takavi*. Remembering how very inadequate *takavi* has proved as a means of relief to the debt-burdened, and as a stimulus to agricultural improvement, one cannot, in the presence of the more efficient method now within reach, help regretting that in its session of December, 1917, the Indian Board of Agriculture should have harked back to the more or less exploded old idea, recommending that *takavi* should be given "more freely than has hitherto been customary, to enable the raiyats to purchase such manures, improved seed and implements, etc., as are recommended by the Department of Agriculture."

Mr. Keatinge's remarks on that recommendation show that the failings in the *takavi* system complained of by the

Commission of 1901 have not grown less, in spite of the admonition addressed to the executive organs. Apart from "a lack of available funds," to be apprehended, so Mr. Keatinge said, "the staff of the Revenue Department was not able to give all the small sums and check them. His experience as a Revenue Officer was that such sums are frequently misused. . . ." He would prefer to see co-operative societies doing the work and strengthened to undertake this work on a large scale, as he doubted if Government agency was the right channel.

The French have a proverb which says that the better is the enemy of the good. There are cases—and the present seems to be one—in which the very moderate good becomes a distinct obstacle to that which is better. For the sake of a little, for the present still only problematic, relief—relief problematic because experience has shown that, unless it is officially and impressively forced upon intended beneficiaries, it is not accepted—providing a little money for the moment, but rather enfeebling than strengthening character (as reducing instead of encouraging the natural instinct for self-reliance and independent effort), a slower, so it is true, but far more enduring and ultimately more effective remedy is to be put aside. The man who is taught to trust to *takavi* is not likely to become a co-operator, any more than is an habitual beggar liberally encouraged with doles to become a sturdy worker. It is not the use of an air-bladder and safety-belts that teaches a man to swim. The *takavi* borrower repays because he must. But his disposition to exert himself and to stand upon his own feet is sure to lose in fibre. Obviously the factor of production above all others to be strengthened and stimulated is the man himself, not his purse. And such factor is to be strengthened only by putting the man upon his responsibility, as muscle will grow strong only by exercise. You may talk of the necessity of spreading out Co-operative Credit over all the Empire. Increased employment of *takavi* loans will not accomplish, but will rather hinder, that.

In Ireland, now that, stimulated by the example of co-operative credit societies, joint-stock banks have grown more liberal in the granting of small credits to small men, on purely personal security, in the way of Scotch cash credit, there has come to be less demand for co-operative loans.

In Ireland, as it happens, at the present time the form of Co-operation most urgently needed is not that of Credit but that of Distribution. The most bloodsucking mahajan of Ireland is the gombeener of groceries, cloth, hardware, and so on. When he has been conquered other needs will assert themselves, and Co-operative Credit, which has rendered yeoman service in the past, is not likely to remain long in abeyance. Also it deserves to be pointed out that borrowing from joint-stock banks could not, like *takavi*, reduce fibre, inasmuch as, the same as Co-operative Credit, it calls for an active sense of responsibility, though falling short of co-operative elasticity.

In India, by common consent, the first thing now needed in the way of Co-operation is Credit. And, moreover, India does not possess that host of joint-stock banks, with offices scattered everywhere, and a willingness to deal in small and purely personal loans that Ireland is happily blessed with. Accordingly in India you have not even a partial substitute for Co-operative Credit. If you want the raiyat's financial position genuinely and permanently improved, there seems no way of doing this at present open to you but to discourage patronising credit and encourage credit to be earned by the self-help of Co-operation.

Experience has, as already stated, been the same in all similar undertakings. More rulers than one have, prompted by the same humane desire which guided Lord Cromer, tried to bring relief to Agriculture and the cultivating classes by financial help from outside. Things were to be made easy for the borrower. At the same time there must be security for repayment and a guarantee for proper use. It is like setting a philosopher to make a curry. The lender knows nothing of the borrower, and the borrower nothing of the lender. There is a net spread. But the meshes have in every case turned out to be either too wide or else too close. In one case they let in the wrong fish, in the other they kept out the right. The matter, it must be confessed, is full of difficulties. And there is only one way of meeting them.

Napoleon III.'s *Crédit Agricole* is a notorious instance in point. Here was a share capital of Rs. 1,20,00,000 made available for lending, with power to raise more by loans. The distinct object of the institution was to help the small cultivator, who has a vote and is in France the

maker of the Senate. Here there seemed accordingly a wide field open for effectually binding him to a benevolent Government, while at the same time bringing him much-needed relief. For Rs. 1,20,00,000 meant considerably more in 1860 than it does now. However, the fish for whom the net was spread would not come in. The terms of credit offered were altogether of a nature effectually to deter them. But the money was there. Deposits came in. The Institution's bills were discounted at other counters. A dividend must be earned. So the Institution ran after other business which its Directors—being selected as supposed experts on specifically Agricultural credit—did not understand. And the Institution came to grief with its liability exceeding its assets by nearly Rs. 200,00,000.

Gambetta's *Caisse Centrale*, devised for popular industrial and commercial credit, fared better only because it abandoned its original object altogether in time to save its skin. It turned over its capital and services to ordinary capitalistically commercial purposes, just like the Agricultural Bank of Egypt in the present day. The same thing has happened over and over again.

I have quoted instances in "People's Banks." King William I. of Prussia, German Grand dukes and Grand duchesses, Spanish Bishops, Austrian Diets, municipal bodies in various countries, all sorts of benevolent people have tried their hand at the game, one after another in the wrong way, putting the cart before the horse, finding the money first and expecting the question of security and proper employment to settle itself. All these things would not do. The well-intentioned authorities who were labouring to bring much-needed relief were clearly "boring with the wrong tool." If India was to have the credit which there could be no doubt that it needed—needed, as has been said, for a twofold purpose, as an economic means to place Agriculture on a more prosperous footing, and as a social, to bring freedom and comparative ease to the raiyat as a citizen—such credit must be organised on different lines and governed by different principles: be less rigid in form but more strict in substance; more accessible to the cultivator, but providing more adequately for its own repayment; very elastic in method, but satisfactorily ensuring employment on proper objects. No Government in the world, be it ever

so wealthy or ever so powerful, could provide such credit out of its own resources. The mere volume of what is required would place achievement beyond its reach. And the other conditions imposed, on the face of it, lie hopelessly outside its grasp, machine that it is, with no soul, no mind, no adaptability, no sense of responsibility in its operating parts. The machinery to be provided could be supplied only by the people themselves who were to profit by it—and that much wider, practically immeasurable circle to whom appeals for money have to be addressed, not on the ground of Government-ordained forms, but on the ground of intrinsic security. It wants to be alive, an animate machine, with capacity for thought, observation, knowledge, and a keen sense of responsibility in every part, every spring, every wheel, every cog, acting under the impulse of a living, watching, striving mind, conscious of its duty, and with keenly awakened realisation of its responsibility and its own interest.

Experience has shown that it is not authorities with the big purse that are wanted to set the thing in motion but the persons, be they ever so humble and ever so poor, who can provide security that will satisfy the lender. The whole matter hinges, not on money, but on security. Money there is, as the late Lord Salisbury has put it on a memorable occasion, in plenty. "It is overflowing in the coffers of our bankers." The problem is how to lure it out of its hiding-place. And the proper magnet for that work is Security.

Let us cast just one brief look at the origin and the governing idea of democratised Credit, such as is seen most fully developed in its co-operative form, and observe how it naturally grows out of the requirements for which it is needed, and has, being natural and directly suited to the conditions of the case to be dealt with, managed successfully to achieve what is needed.

Going to the root of things, it is Scotland, which by its activity and its inexhaustible resource in business method has revolutionised banking, at any rate among English-speaking peoples—from whom others have learnt—which has given the lead in the solution of this banking problem—Scotland, prodded to the act in this case by the House of Hanover in the hour when in that country that House was

least popular. The object aimed at was not originally to do economic good, but to produce a political effect, to bring into the field a powerful influence making against the dominating strong Tory feeling, which prevailed also in the banking world. The Bank of Scotland was financially a Tory stronghold. The Hanoverian Crown chartered against it the Royal Bank of Scotland, endowing it with the right of an unlimited issue of notes—which of course became general in Scotland, and, in spite of what appears to us its serious danger, worked most satisfactorily. The new form of business adopted has in fact grown common. But it was the Royal Bank of Scotland which began the work and, to get rid of its notes, and place them in the market where they would count as money, offered credit wholesale in large or small amounts to whosoever could produce satisfactory security. Thus what has become known as “Scotch Cash Credit”—which is a far better regulated thing than what in England is known as “overdraft”—took its birth. To canny Scotchmen, ever on the look-out for opportunities for earning, the convenient facility was not offered in vain. Cash credit did not go a-begging. The country became covered with banking offices, and every tradesman, down to the smallest, took a pride in “keeping his banker,” as it was called. Business advanced by leaps and bounds around cash credit, and, in the words of its chosen historian, the late H. Dunning Macleod, it raised the country “in the space of a hundred years from the lowest state of barbarism up to its present proud position.” “The far-famed Agriculture of the Lothians,” so Mr. Dunning Macleod continues, “the manufactures of Glasgow and Paisley, the unrivalled steamships of the Clyde, are its own proper children.”

Well, this “Cash Credit,” although it has the distinct merit of attaching the car to the right horse—which means the finding *first*, not of money, but of security—is after all only a capitalist institution, which would not answer at all for the Indian raiyat. It does not deal in the small amounts which the Indian raiyat needs. And it is based on a system of security which in its Scotch shape the raiyat could not provide. However, it contains in germ the essentials of Co-operative Credit. It is, so I would remark by the way, strictly personal. It places nothing out of use or under

lock and key that the borrower might want, to provide a pledge. It bases the security which it supplies, not on land or houses or chattels, but on personal suretyship—still, however, in a capitalist sense, supposing existing property to be underlying suretyship. However, the main point is that it is produced by the voluntary co-operation of people who know one another, and who can very effectually check one another, and unreservedly go bail for one another. For, as matters stood at the time—although very naturally sureties limited their engagements to a certain figure approved by themselves—their liability to the lending institution, the bank, extended to the whole of their possessions. Limited liability was at that time not known. Of course the bank reserved to itself the right to accept or reject sureties offered. Of course, also, it reserved to itself the right to fix their number according to the exigencies of the case. All persons likely to be offered as sureties are not equally substantial. There have been as many as eleven—perhaps more—sometimes for one loan. On other occasions one was deemed sufficient. However, the cardinal point was this, that these men, pledging their liability, were in a position effectively to watch and control and check the men for whom they went bail.

“This system,” so state the two Committees, severally of the House of Lords and the House of Commons, sitting almost contemporaneously in 1826 to inquire into “the State of Circulation of Scotch and Irish Notes,” in their Report, “has a great effect upon the moral habits of the people, because those who are securities feel an interest in watching over their conduct; and if they find that they are misconducting themselves, they become apprehensive of being brought into risk and loss from having become their sureties; and if they find they are so misconducting themselves, they withdraw their securities”—“the practical effect of which,” so deposed one witness quoted, “is, that the sureties do in a greater or less degree keep an attentive eye upon the future transactions and character of the persons for whom they have thus pledged themselves; and it is perhaps difficult for those who are not intimately acquainted with it, to conceive the moral check which is afforded upon the conduct of the members of a great trading community, who are thus directly interested in the integrity, prudence,

and success of each other. It rarely, indeed, if ever, happens that banks suffer loss by small cash accounts."

Here we have the pith of the whole matter, the seed of the great tree, that is to be, the principle in a nutshell. "The great trading community" is nothing like an essential condition. We know now by experience that the same method, properly adapted, will produce—as it has meanwhile produced—precisely the same effect in a great or small agricultural community. The coat wants to be measured to the body. The main point is that there must be a co-ordination of forces—joint action; and that, to make such effective as a credit-raising power, there must be absolutely effective control.

Adapted to its environment the principle here set forth as containing the seed of Co-operative Credit has worked veritable wonders in Europe, raising for the use of moneyless cultivators sums such as in view of their prodigious amount only under an exceptional provocation could Governments dream of raising; distributing them widely, but for the most part in amounts corresponding to the humble requirements of the receivers, but with peculiar skill in apportionment, on just the right spots, and recovering them unfailingly, without compulsion or summary process, generally speaking without loss, bringing out in the process the remarkable resources of Agriculture possible where there is sufficient money to feed it, so as to impart to it a different face altogether, a face of unexpected plenty; raising the poor, despised, backward, impoverished raiyats of Europe, hopelessly indebted as they were seventy and eighty years ago to their European mahajans—for things were much on a par in Continental Europe then with what they are in India now—to a position of comparative comfort and ease—at the same time spreading education, raising the people benefited intellectually, socially, and morally, as well as economically—triumphantly solving, in truth, the two parallel problems to be dealt with, of which I have spoken. It has appeared a veritable miracle even to very learned economists. Professors of Political Economy, at our most famous seats of learning, have expressed to me their wonder at the evolving of such results from what seemed a mere nothing to begin with—a dream that mere learning could not realise. However, there is the fact. And it is too patent to bear disputing.

Could this same beneficial agency—that is the question which one had to ask oneself forty years ago—be applied with the same or similar effect to India, a country so very different in its main characteristics from European countries ?

Happily there were indications to go upon which heralded success. There is a natural disposition to gregariousness, which produces common action, in practically all races constituting the population of the great Asiatic Empire. The Hindoos have the tradition of their world-famed ancient Indian “village community” and are used to doing things in common. The Moslems have a sympathetic fellow-feeling towards one another inspired by their religion. Even among the aboriginal and cognate tribes there appears to be a readiness to act in clusters.

And this tendency has ere now blossomed into actual instances of common action. In his masterly “Report regarding the possibility of introducing Land and Agricultural Banks into the Madras Presidency” Sir Frederick Nicholson shows how “from time immemorial” Indians of his Presidency have sought relief from their want of funds in a very primitive way, naturally—but very unfortunately—very liable to serious abuse, in “Kuttu Chittoos” and subsequently in “Nidhis”—the latter being formed in imitation of our British Building Societies, which are—like the Chitfunds, which resemble our English Slate Clubs—likewise very open to abuse by exploiting greedy organisers.

Apart from the *Nidhis* of Madras, such native pre-disposition is strongly testified also in the organisation of the *Akharas*, which occupy a similar position in the United Provinces, and about which Mr. Duperneux has, in an instructive and closely argued Report on the whole question, written in 1900, given some very interesting information. As a matter of course, because the *Akharas* select their members with some care, expel unworthy ones, and lend only for approved purposes, they are supposed to be identical in character with the Raiffeisen societies. The same claim has been set up on behalf of the Middlesex Self-help Societies and of the Hotokusha of Ninomiya Sontaku in Japan. However, in all these cases, although there are undoubtedly some points of resemblance, the points of difference are more pronounced and more numerous. Among other things

their organisation lacks the Raiffeisen *ideal*. Indeed, according to Mr. Duperne's account, the *Akhara Wallas* are rank impostors, piously rubbing their bodies with ashes and pretending to be God-serving mendicants, while all the time they are very Jews for the greedy amassing of wealth. But, in spite of all this, here is distinct evidence to be found, even in these abortive societies, of a natural bent among the native population for Co-operation. And it is also decidedly interesting to note, in view of the question now so much occupying public attention with regard to Co-operative Credit societies in India, that the members of the *Akharas* have long since found out the great practical importance, and, indeed, necessity, of careful supervision and control of the societies. They had, at the time referred to, two central *panchayets*, severally at Hardwan and Baroda, which carefully checked and scrutinised the accounts, and appear to have been unsparing in the infliction of penalties. In view of some trouble which we have now to contend with in the matter of abuse of powers by *panches*, it would be interesting to learn what precisely are the "special measures taken" in the *Akharas*, "to prevent embezzlement by any of these men."

Imperfect and readily liable to abuse as these institutions are, their presence seems to argue a natural bent towards common action for the obtainment of the very end upon which Governments have wasted their efforts in *takavi* and Egyptian loans A and B, in *Crédits Agricoles* and other well-meant but more or less inadequate expedients. Such bent is, perhaps even more strongly, and certainly more suggestively, testified to by the *lānas* or *rāthas*, and also the *dāngwaras*, of the Punjab, of which I shall have to speak at a later stage, in which a number of cultivators designedly join together for common use of their draught cattle and the common execution of agricultural labour of every kind.

But evidently there is even more in the Indian character and temperament to justify a favourable horoscope for attempts to introduce Co-operative Credit, such as the European Continent has elaborated. There was not a single Anglo-Indian to whom I in early days expounded the principles of that Co-operative Credit who did not at once discern in it the agency in which lay the hope of rescue for the debt-burdened rural population and the neglected

and backward Agriculture of India. The message was everywhere received with gladness. When in 1894, in his little Tusculum at Dorking, I set forth the meaning of Co-operative Credit—it was of the Raiffeisen type—and related what it had achieved and might achieve in India, to the then nonagenarian constructor of the Colerone anicut, the trusted adviser on Indian affairs for many years to the late Prime Minister, W. E. Gladstone, Sir Arthur Cotton, his delight at the tale scarcely knew bounds; he sprang up and exclaimed: "That is the very thing for India; and whatever expectations you may have formed as to results, multiply them tenfold and you will still find them exceeded."

That prophecy, greatly cheering at the outset for the work about to be taken in hand, is now in plain course of fulfilment. How the matter was brought about must be a tale for the next chapter.

## II

### THE COMING OF CO-OPERATIVE CREDIT

MUCH as the want of Co-operative Credit was felt in India, during decades, not to say a longer time, its actual advent proved slow and lagging. The late Sir William Wedderburn has told me that he began pleading for it in the early 'seventies. That statement will in all probability have to be taken as meaning that at that comparatively early date he advocated measures of *some* kind calculated to relieve the severe distress of the rural population, representing over 80 per cent. of the people of India, owing to the prevailing lack of money and the resulting prevalence of debt. For in the early 'seventies Co-operative Credit and its principles may be said to have been still unknown beyond a very narrow circle of German and Italian pioneers. Sir William's own account of his actual suggestions did not altogether bear out that what he originally proposed was really Co-operative Credit. The peculiarity of Co-operative Credit, more specifically, which has since been generally singled out by every one acquainted with the circumstances, as specially marked out for application in India, that is, the Raiffeisen type, was generally speaking still waiting to be revealed. Sir Robert Morier had, as British Minister at Darmstadt, seen the Schulze Delitzsch type at work, and sung its praises to our British Co-operators at their first Congress, held at Manchester in 1868. However, that was a type of Credit, as then practised, suited more particularly to meet the needs of small and medium tradesmen and jobbing artisans pushing upward to higher planes.

The Raiffeisen system never became known, even in its own native country, until after the inquiry instituted in 1874 and 1875 by order of King William of Prussia by a Royal Commission—a Commission composed of three highly

qualified experts, namely, Professors Held and Nasse and Herr Siemens, the introducer, by the way, of agricultural beetroot-sugar manufacture in Germany. That Commission issued a most laudatory Report, which at once established the popularity of the new system and secured its diffusion under royal favour. It rapidly ingratiated itself—on the score, more particularly, of its ideal aims and its social and moral achievements—with all classes in Germany having a connection with rural life, alike Governments, priests and ministers of the several churches, and philanthropic land-owners. But it still took nearly twenty years to fill up its cadres and to make of it a real living economic and educational force. Once that point had been reached, the triumph of the system was marked and unchallenged and it spread rapidly over the rest of Europe, and not long after even beyond the limits of that quarter of the globe, to dispense everywhere fresh material benefits and raise the standard and the tone of rural life.

So far as India is concerned, the first trustworthy evidence of an advocacy of specifically Co-operative Credit that I have been able to trace is that of Sir Henry Storks's making himself its spokesman before the Government of India in 1883. That was—so it may be permitted to point out as a curious coincidence—the very year in which Léon d'Andrimont started the Co-operative Credit movement (on Schulze Delitzsch lines) in Belgium, which was destined to achieve rather signal, though only temporary, success; the year also in which Leone Wollemborg opened the first Raiffeisen society in Italy (foreordained to become the mother of a more than thousandfold offspring); in which, furthermore, Professor Tanviray formed the first Agricultural Syndicate in France, at Blois, which was destined to tiller into a rich crop of organisations of the same kind, working, according to the testimony of the late Lord Reay, "veritable wonders" in the spread of education; and the year in which Wilhelm Haas, having separated himself from his master Raiffeisen, in disappointment at his holding so tenaciously fast to his ideal objects, inaugurated his feeble offshoot union of agricultural supply societies in Hesse, which under active Government protection was destined to develop in due course into the mighty "Imperial Union" of Germany with, at present, more than 20,000 societies of divers kinds, addressing

themselves to the satisfaction of every conceivable branch of agricultural business and rural wants except ideal ones, but including credit, with more than two million members. The year 1883 was therefore a fruitful hatching period for Co-operation.

In India Sir Henry Storks's pioneer attempts remained without results. His ideas as to what was to be done, of course, were at that early date not very clear, and his proposals were thought rather nebulous. The need of some remedial measure was, however, universally admitted. Agriculture was known to be backward—not because the Indian cultivators—who grew their wheat and paddy probably centuries before British husbandmen knew of the existence of either crop—failed in knowledge or aptitude for their calling, but because the *nervus rerum*, the cash indispensable as a driving force, was lamentably lacking. And the rural population was known to be in a state of crying destitution and oppressive peonage, steeped over head and ears in debt, and falling an easy prey to famine and drought whenever such occurred.

In respect of the need existing Sir Henry found no one to gainsay him. But ideas as to the proper remedy to be applied were still vague and unformed. *Takavi* was being tried and *takavi* was proving only very partially effective.

Meanwhile Co-operative Credit was forging fast ahead on the European Continent. Co-operative Credit societies of various sorts kept multiplying and gave proof of admirable capacity for work. In a manner, I may say, they became at an early date familiar to myself. For in the late 'fifties and the early 'sixties I spent some time in Germany and had evidence of their work before my eyes. About 1890 I took up the study of them in good earnest. And in 1892 it was my good fortune to be the first to call attention, in the *Economic Review*, to the remarkable ideal as well as economic working, more specifically of the Raiffeisen societies. The Schulze Delitzsch societies had found an, it is true only partially informed, eulogist some years before in Sir John Lubbock, afterwards Lord Avebury, who in 1889 pleaded in the House of Commons for the substitution of something of their kind in the place of our savings banks, on the ground—since strongly supported by so experienced and well-informed an authority on the matter of thrift as

Sir Edward Brabrook, late Registrar of Friendly Societies—that, instead of placing savers in a position of tutelage, as our savings banks do, they constitute them the guardians of their own thrift, thereby educating them economically and training them to a knowledge of business and judgment in dealing with money.

About the same time—in 1892—a curious experiment which has some bearing upon the question of co-operative action was entered upon by some enterprising people at Panjavar in the Punjab. The common land there was handed over to trustees to administer on behalf of co-sharers, the profits resulting to be applied in the shape of loans to the co-sharers wherewith to pay off their debt. Though in no wise on all fours with co-operative banking, this experiment may be said to have given some encouragement to the co-operative idea. It is stated to have proved successful and to have served also to enhance the value of the land dealt with.

In 1893 I brought out my book, "People's Banks: a Record of Social and Economic Success," which was fortunate in being the first book in the English language explaining the various systems of Co-operative Credit and their principles. Although interest in the subject of the book was naturally limited within a certain narrow radius, the information proffered was happy in its reception; and it is not surprising that within that radius very notable Anglo-Indians were to be found. In India interest had arisen before, and as early as in 1892 the late Lord Wenlock, when Governor of Madras,\* had told off Mr. (now Sir Frederick) Nicholson for special duty, to inquire into the subject of co-operative banking as practised in Europe, the result of which remains a permanent monument of admirable

\* The late Lord Wenlock was a convinced believer in Co-operation. Before setting out for India he had formed a co-operative distributive society, for the benefit of the villagers, at Escrick, near York, in which parish his family seat was situated. In 1899 he took an active part in the formation of the "British Agricultural Organisation Society," formed in imitation of the Irish founded by Sir Horace Plunkett, and became its President. In 1908 he kindly undertook the sponsorship in the House of Lords for my "Thrift and Credit Societies Bill," which he championed with unmistakable interest. Although jockeyed out at the time by the Government of the period, the same Bill made in 1910 a triumphant passage through the House of Lords on the unanimous recommendation of a Select Committee which, by the way, included Lord Cromer, the founder of the "Agricultural Bank of Egypt," among its members.

public service, on record in Sir Frederick's truly masterly Report, the first volume of which appeared in 1895.

By that time, however, we had made not inconsiderable progress in the "India" of London. Retired members of the Indian Civil Service, to whom I had explained the Raiffeisen system, owned themselves greatly pleased with the idea, and, as if by common consent, declared that system to be the one marked out for application in India. Prominent among these was, as already related, Sir Arthur Cotton, the constructor of the Kistna, Godavari and Cauvery Canals, and Mr. Gladstone's chosen confidential adviser on many Indian questions.

In the same year the late Sir Charles Bernard, at the time at the head of the Revenue and Agricultural Department at Whitehall, and a true friend to the population of India, sought me out to ask my advice respecting the best form in which to introduce Co-operative Credit into India. There was a good deal of confabulation and correspondence. But we soon came to see pretty clearly in what direction remedial action would have to be taken and began formulating plans.

Mr. Nicholson's tour of very careful inquiry was followed by a rather hurried visit to me from Mr. Henry Duperne, of the United Provinces, told off in 1899-1900 for the service by Sir Anthony Macdonnell (later Lord Macdonnell) at the time Lieutenant-Governor of the provinces named, and, like Lord Wenlock, a thorough believer in Co-operation, whom in 1910 I was thankful to see seconding my Co-operative Thrift and Credit Societies Bill, brought in by the Earl of Shaftesbury, and who, as a member of the Select Committee appointed to examine the Bill, rendered most valuable service to the cause of Co-operation. Unfortunately Mr. Duperne's time seemed very narrowly measured. After he had read my book we had a long palaver in London, in the course of which I explained things as well as I could. But I wanted him to see for himself societies in Germany and Italy, which I still consider were the only ones to prove of real service to him. I offered to give him the necessary introductions. However, he had not time to do more than just break his journey to Brindisi. And so I had to content myself with giving him an introduction to the People's Bank at Mentone, which never ranked in the opinion of co-operators as genuinely "co-operative" and has long since

renounced both the name and the constitution of a co-operative society. That brief and exclusive visit has, I regret, left a mark upon the Co-operative movement in India, which I cannot help looking upon as a *damnosa hæreditas*.

In June, 1900, I addressed the following letter to Lord George Hamilton, at that time Secretary of State for India :

*June 26th, 1900.*

MY LORD,

Some time ago your Lordship was reported, alike in Hansard and in the daily newspapers, to have stated in the House of Commons that on the proper opportunity presenting itself the India Office would be willing to afford facilities for the establishment of co-operative agricultural banks in India.

Since then, among other people, Mr. Dupernex, of Banda, who came to see me about the matter when in England, and who is, in some sense, a pupil of mine in this business, has brought out a book, of which I beg your Lordship to accept the accompanying copy, and to which I would humbly venture to call your Lordship's attention. And he hopes to do something towards establishing co-operative banks in the North-West Provinces. His book is shortly to appear in Hindostanee.

I do not subscribe to every word that Mr. Dupernex has written, though I expect good results from his apostleship. But I am afraid all co-operative work in India must find itself seriously hindered while the law with regard to co-operative societies remains what it is. Mr. Dupernex is constrained to form his banks under the Companies Act, which is quite unsuited to the institution, and which in this country, quite apart from the question of expense, no one would think of invoking.

The same thing is reported to me, in my capacity of Chairman of the International Co-operative Alliance, by Ambika Charan Ukil, who has formed four modest little co-operative societies at Calcutta.\*

Since your Lordship has kindly promised to befriend the movement, may I hope that you will kindly, as a first step, which would not commit the India Office to anything, take into consideration the advisableness of introducing into India ordinances like our Industrial and Provident Societies Act and our Friendly Societies Act or something similar.

The Friendly Societies Act is not really a very convenient Act, for it was designed for a totally different purpose. But we have to take refuge under it because, for the Agricultural banks, which are doing such good work in Ireland, we *must* have unlimited liability,

\* I am sorry to have to say that since this letter was written I have seen reason to change my opinion about Mr. Ambika Charan Ukil as an apostle of genuine Co-operation.

which the Industrial and Provident Societies Act, otherwise a much better Act and absolutely sufficient for banks adopting limited liability, does not permit. Since the passing of Mr. Plunkett's supplementary little Act \* of two years ago the Friendly Societies Act serves its purpose fairly well.

But in India neither of these Acts is in force. If your Lordship would kindly allow me to talk over the matter with some gentleman at the India Office who has charge of these matters, I have no doubt that I could bring him to see the advisableness of giving to India the benefit of legislation which has contributed immensely to the raising of the condition of the labouring classes in this country and which is free from any objection. For nobody asks for money from the Government, or desires to pledge it to further concessions. All that is asked is, that the Government should place the poor people in India in a position to help themselves.

I beg to commend the matter very warmly to your Lordship's attention, and

Remain, etc.,

HENRY W. WOLFF.

THE SECRETARY OF STATE FOR INDIA.

This letter was duly acknowledged, and attention was promised to its contents. Next, Mr. Nicholson's Draft Proposition for a Bill to be passed, was sent to me by Sir Charles Bernard for my opinion, which I gave, accompanied by the following letter.

Meanwhile Mr. Nicholson's Report had come out and on the ground of what he had seen and learnt that deserving officer drafted a Bill, which was of course sent up to the India Office at Whitehall—the Government of Madras having decided that the matter was not one of urgency.† I have not the India Office's comments upon that draft in my possession. They were privately communicated to me along with the draft, for perusal and advice. However, my reply will show that those comments were not altogether favourable. Here is my letter, as returned, in a printed form, by the India Office :

*July 3rd, 1900.*

DEAR SIR,

I have to thank you for your kind letter of 29th ultimo, and the two volumes of Nicholson's Report as well as a copy of the Madras Government Order.

\* The " Societies Borrowing Powers Act " of 1898.

† See " Government Gazette, the United Provinces of Agra and Oudh " of May 14th, 1904.

The last named I beg to return herewith.

I have had to deal with the matter rather hurriedly, mainly on account of my imminent departure for Paris, and the organisation of one of the Congresses to be held there being thrown almost exclusively on me.

I cannot too warmly recommend you to take the opinion of Mr. Brabrook, Chief Registrar of Friendly Societies. To deal with the matter under an Amended Companies Act would, I am sure, be a tremendous mistake. We want a Co-operative Act.

I enclose a reference to Acts in force in this kingdom.

Of course, if I can be of any service in the matter, I shall be only too glad to be so.

Believe me, etc.,

HENRY W. WOLFF.

SIR CHARLES E. BERNARD, K.C.S.I.

MEMORANDUM BY MR. HENRY WOLFF ON MR. NICHOLSON'S  
REPORT AND THE MADRAS GOVERNMENT ORDERS REGARDING  
AGRICULTURAL BANKS.

Perhaps I may be permitted to say a few words with regard to the Board's Report and the Governor's ruling, with a view to clearing away a few misconceptions. It is quite true that Mr. Nicholson does not in his book give clear "light and leading" on all points. More especially does he appear to contradict himself with respect to State aid, which is a very difficult subject. There are two sides to the question, and as the one or the other presents itself most prominently it is perfectly natural that, like other persons and bodies having greater familiarity with the general question, he should incline one way or the other.

However, the main ground for the Board's adverse judgment evidently is, that it does not quite accurately appreciate the object of the institution for which Mr. Nicholson pleads, and misjudges it upon the ground of what may be proved to be altogether illusory facts. I will point out two which are put forward very prominently on page 52, paragraphs 20 and 21. The mortgage debt in Germany, of which the Board makes so much, proves nothing at all against the Banks. In the first place I have the best official authority (I will only quote here Dr. Buchenberger, Minister of Finance in the Grand Duchy of Baden, the best authority on the subject; but there are others) for saying that the amount of that debt is greatly exaggerated in the official statistics for these two reasons, (1) the debt applies in fact to buildings, which on small properties (those in question) represent often the major part of the property, though they do not do so ostensibly, therefore the pledge value of the mortgaged estates is greater than represented; (2) many of the mortgages are as a matter of fact paid off, though, to save expense

and facilitate fresh borrowing, if necessary, they are ostensibly only transferred to the mortgagor. In the second, generally speaking, that mortgage debt does not at all refer to the small proprietors who compose the credit societies. The two classes are practically two distinct communities. The co-operative banks do not profess to grant mortgage credit, and as a fact grant only very little. The two kinds of credit ought not to have been mixed up. And it is a pity that Mr. Nicholson did mix them up, and so in a measure led the Board to jump to a false conclusion.

The second very serious error is to be found in the Acting Settlement Commissioner's footnote on the same page. So far it is incorrect to say that France has no Raiffeisen banks; that as a matter of fact, in no country have Raiffeisen banks multiplied so fast and done so well as in France, of all countries.\* The work of starting them was practically begun in 1894; and now there are between 500 and 600, working well, to say nothing of the hundreds of similar banks formed by the agricultural syndicates. There would be at least 200 more (the 783rd was registered last week) had not the French Parliament unwisely changed the law a couple of years ago. The condition—of an unmarried priesthood, etc.—which the Commissioner is good enough to insist on as being adverse to co-operative credit in France, exists in the very same degree in the larger portion of Germany where Raiffeisen credit has struck root, which is Roman Catholic and wine drinking, and has even invented and brought to something like perfection those co-operative wine-presses which, in many cases, exactly double the profits which cultivators draw from their grapes, and which France (which, by the way, is rapidly becoming, not wine, but spirit drinking, as witness a report recently made to the Société des Agriculteurs de France by M. Urbain Guérin) as yet has not.

The object of co-operative banking is *not at all* to foster what the Board will call "licentious" borrowing or "facile" credit. It is, to create and make available a new security. So far from making credit to poor cultivators or labourers "facile" or easy, as I have pointed out in my various writings, it makes it "possible" only by making it "difficult." It does not ask the man to come and borrow. It distinctly tells him: You will have no money unless you can fully satisfy us as to having a good case. The presumption is *against* lending.

Also, the object of co-operative banks is by no means merely to place fair credit in the place of unfair. It is to *create working capital*, without which the most fertile land, situated near the best

\* The situation in France has very materially changed since then, owing to the Government's persecution of the late Louis Durand, the "Raiffeisen of France," on account of his ultramontane opinions, and the hothouse forcing of the State-endowed and vote-catching *Crédit Agricole* with large State funds.

markets, is worth very little. Among the thousands of co-operative dairies which in Germany enable small and large cultivators to turn their milk to the best account, there are many hundreds which were set up without capital, merely with the help of the co-operative bank, whose claims have been gradually paid off at the rate of so much per gallon used. There are steam thrashing machines which have never cost their owners, a society, anything, inasmuch as the bank had advanced the money and had been repaid out of the hire.

The Presidency of Madras may be in an exceptionally happy position. But, as I have never found an Anglo-Indian to whom I could manage to explain the system to say otherwise than that co-operative credit would be an unspeakable boon to all India, so it was the late Sir Arthur Cotton, a Madras man, who, more in particular, showed himself delighted with it, and told me, "Whatever results you look for multiply them tenfold, and you will still find them exceeded." No argument could be drawn from the poverty of the people. We find that, generally, the poorer the people, the more readily do they grasp the principles of co-operative banking, and the more readily do co-operative banks thrive amongst them. That is why they succeed so well in Ireland, more particularly in the congested districts. The fact that in Madras Presidency the Sowcar question does not arise, but ryot lends to ryot, is only on a par with what has happened in those parts of Venetia and Lombardy, where Raiffeisen banks have proved particularly acceptable and successful.

The Board probably misunderstood what Mr. Nicholson says with regard to "finding Raiffeisen." Raiffeisen *is found*. What you want to find is (1) the conditions under which he can be put to work, that is, suitable legislation; (2) a number of *local* Raiffeisens, men willing to show their sense of the duty which they owe to their neighbours by working a little for them, less giving than *working*.

The Board's objection (Clause 22) that peasants are "inclined to borrow for every purpose except land improvements," is met by the fact that for nearly every purpose except land improvements the co-operative bank will be debarred from lending to them. The German character, moreover, is *not* "homogeneous."

The fraud and mismanagement practised (p. 154, Cl. 26 in) in the *nidhis* are no more an argument against banks than similar abuses in our loan societies are. Quite the reverse, they show that new conditions are required, which preclude fraud and mismanagement. Co-operative management furnishes them. It does preclude fraud and mismanagement. Our Irish Raiffeisen banks have "never made a bad debt." And it cannot be shown that "catastrophes have attended on like schemes in other countries." No such catastrophes have, in point of fact, occurred in connection with co-operative banks.

In the Governor's opinion, I have only the statement occurring in Clause 20, p. 162, to complain of, which is founded upon an unproven assumption. I have not found that Raiffeisen banks suffer seriously from unpunctuality in repayment, neither have I ever heard of this. And if Mr. Nicholson has committed himself to such a statement, he has been misinformed.

Coming to Mr. Nicholson's draft, it altogether staggers a European by its ambition. Here are a Companies Bill (for Joint Stock Banks), a Savings Banks Bill, a Land Improvement Bill, a Co-operative Bill, and one or two other things, all rolled into one. In this country we should want about five or six Bills for all this, and five or six sessions for their consideration.

I cannot quite see why Joint Stock Banks should have been dragged in. They have the Companies Act already, and it can scarcely be argued that Joint Stock Companies, which exist to earn for a small number of persons a profit out of their dealing with others, require "privileges" or exemptions.

Savings Banks appear as much out of place in a proposal for providing *credit*. There is more to be said against the draft under this head on other grounds. However, the best prospect of drawing what in Ireland goes by the name of "stocking money" out of its hiding places, and of making it useful and fructifying, is not, to provide new burying places for it, as a savings bank would do, but an active use, tempting to the depositor, who may want credit. That it is which has made the Schulze Delitzsch banks so magnificently successful in Germany. The use of the money by credit serves as a bait to make depositing popular.

Land improvement credit, *Landschaften*, and the like, likewise have no legitimate place here.

• And, since Building Societies in Great Britain *and* in the United States are referred to, I want to point out that there is an essential difference between the two local specialities.\*

The Governor has very rightly, as I think, up to a certain point, decided to confine his attention to co-operative banks. It is a pity that he does not say "co-operative societies," for there is very much more besides convenient banking that co-operation could be made to bring about. And, as in the United Kingdom, in Germany, and elsewhere, one law, if India only had it, would suffice for all.

But what staggers a mere European quite as much as the comprehensiveness of Mr. Nicholson's proposal is his suggestion that the matter should be settled by an amendment of the *Companies Act*. In this country nobody would think of such a thing. The Companies Act, quite apart from the intolerable expense which it involves, is very unsuitable, indeed directly adverse to co-operation.

\* It was so at the time. Since then American "Loan and Building Societies" have very much assimilated themselves to British.

It means that a small number of persons should have as full as possible power of dealing with the money and interests of a much larger number ; that things should be done oligarchically, with as little publicity as possible, nothing being let out in balance sheet or general meeting, except what the directors consider indispensable. And it emphasises "profit." Co-operation cannot succeed except the circumstances be exactly reversed. There must be a maximum of democratic government to excite interest and vigilance, of publicity, of control and supervision, and it ought to be writ large upon its rules and practices that *not profit* but a *common service* is the object of the society, profit being kept out altogether. Under this point of view Mr. Nicholson's proposal that "profit should be divided according to the shares" is an exceedingly bad one, which no co-operator in this country would dare so much as to name. That is the joint-stock principle. The co-operative principle is that, since it is, not shares, but custom which makes the profit, it is to custom that the profit belongs in what French people call the *ristourne*, i.e. the return of what was paid in excess. We must not promise the ryots bread and give them a stone.

One cannot help wondering that no notice whatever should have been taken of the Industrial and Provident Societies Act of the United Kingdom, as well as of the Friendly Societies Act, both of which have worked so well that instead of co-operative societies seeking refuge under the Companies Act, as is proposed in India, we have profit-seeking companies actually seeking the advantages of cheapness under the Provident Acts named.

Mr. Nicholson refers to the English Loan Societies Act of 1840 and the Irish Loan Fund Societies Act of 1843 as being desirable models, more particularly on the score of the facilities which their provisions provide for the recovery of debts by order of a magistrate. I confess that when I first took in hand the framing of Rules (in 1893)—I beg to enclose a copy each of "A People's Bank Manual" (under the Industrial and Provident Societies Act) and of "Village Banks" (under the Friendly Societies Act)—I felt attracted by the Act of 1840 on the same ground. However, I found that there was no more unpopular Act in the kingdom, and that all the facilities given in it for the recovery of debts are made illusory by the fact that magistrates *will not make an order* under it. The statistics quoted by the Registrar of Friendly Societies, for the litigation which has to be engaged in to recover debts, support this. No returns have been presented to Parliament for a long time, because nobody seems to take an interest in an Act which is thought to be unsuited to the conditions of the present time, and which leads to abuses very similar to those which the Board complains of as attaching to the work of the *nidhis*, mainly because there is no democratic management and no publicity. Things are

done in secret, and the secretary's main object is to assure to himself a good "screw." In 1890 there were no fewer than 3,052 summonses issued in respect of something over 300 societies, which means, as the Chief Registrar put it, "one summons to every £4 profit earned." The Irish Act of 1843 is as bad. It has led to great loss owing to difficulties of compliance with the rules laid down. The promissory notes given could not be enforced, and debenture holders have accordingly lost their money. The Act is now being amended by Parliament. But the Loan Funds cannot, as the Committee of the Irish Agricultural Organisation Society has reported, compete with the new Raiffeisen Banks.

The truth is that all these supposed aids to co-operative banking, by magisterial interference, etc., are really serious hindrances. That has been found to be the case not only here, under the Loan Societies Acts, but just the same under the various "privileges" for the recovery of debt granted abroad, with the special view of facilitating "agricultural credit," to which Mr. Nicholson so longingly adverts, more particularly under the various laws granting such privileges in Italy, of which I speak in my book, "People's Banks." In the words of Cav. V. Sani, Director of the People's Bank of Bologna, the Bank which practises most "agricultural credit," these privileges are useless although they are made very cheap. The object of a co-operative bank is to excite among the managers so much vigilance, caution, and strictness as will ensure that no money is lent out except what will be repaid, by reason, not of special laws, but of ordinary precautions, and to train the borrowers, *in their own interest*, which is brought home to them, to fixed habits of businesslike conduct and honesty, which are ten times more effective than punitive ordinances. It is the borrower's brother member who must make him repay, not the magistrate or the law court. Only co-operation can bring this about. The bank ought to rely upon its own good management and a careful selection of members, not on magisterial compulsion, which makes such management and selection appear less indispensable and leads people to make light of them. That is the reason why in Raiffeisen Banks, which let in the poorest class of members, relying only upon their "guarantee," not on shares, unlimited liability, applying to all, is indispensable. It *makes people careful and vigilant*. The more you take away the necessity for this by adventitious aids, the more you weaken the indispensable foundation, the great supporting pillar of co-operative credit.

There is really no better Act to point to as a model than our Industrial and Provident Societies Act for Share Societies with limited liability. And since the Short Borrowing Powers (Societies) Act, brought in by Mr. H. C. Plunkett, was passed in 1898 the Friendly Societies Act will really serve fairly well for societies with

unlimited liability (Raiffeisen Banks). Like Mr. Nicholson, I have previously contended that the Industrial and Provident Societies Act ought to give power to withdraw shares. But I think now that it will do very well as it is. If we make shares withdrawable the same danger will arise which the Board rightly allude to under the head of Government advances, and which the great Swiss Co-operative Bank "Schweizerische Volksbank" rightly guards against by making it a rule that, if a certain proportion of shares should come to be withdrawn, a general meeting is to be at once called to decide if the bank is to go on.

Since it would be a thousand pities to throw away the present favourable opportunity, I cannot too warmly entreat the India Office, before proceeding to legislation, to study the two Acts referred to and to take the opinion of the Chief Registrar of Friendly Societies.

I have asked the General Secretary of the Co-operative Union at Manchester to forward to Sir Charles Bernard a copy of their handbook on the Industrial and Provident Societies Act, which will serve as a useful guide. Doubtless there is some official publication in which the various Friendly Societies Acts are similarly put together under one cover.

For a Friendly Societies Law there ought to be ample room in India on other grounds. An Industrial and Provident Societies Act would at the same time help our friend Ambika Charan Ukil at Calcutta and those others who, please God, will soon follow his example.

In this way another important point in the problem would be disposed of.

The Board as well as Mr. Nicholson want to make the supervision of the co-operative banks to be created a matter for the *agricultural authorities*. That seems to me a thoroughly bad principle. The object of the supervision provided for, which cannot be too strict and searching—for which reason once more a co-operative law is preferable by much to a Companies Act—is to keep things businesslike and straight. That is not an agricultural function. The proper authority to do that is a body like our "Registrar of Friendly Societies" (a composite person), which has to think of nothing but good audit and strict control and need not trouble about class or professional interests. Wherever the "agricultural authorities" mix themselves up in the business, so I have found alike in Germany and in France—and Comm. Ferraris' recent (rejected) proposal in respect of Italy only presses the lesson further home—they come to think that they are there to *benefit agriculturists*, though it be at the cost of others. They think of agriculture and its interests rather than of observances of rules and strict audit, and wink at gifts taken by their supposed protégés.

And the Italian Director of Agriculture to whom the Board admiringly refer, at that time Comm. Miraglia, since promoted,\* so I found at Rome, though a charming man and kindness itself to me, knew very little about agricultural co-operative credit, and actually misinformed me.

What it strikes me that you want in India is an equivalent to our Registrar.

Running rapidly through Mr. Nicholson's draft, it strikes me that in Cap. I., 2, line 3, some word such as "and administration" ought to be added after "collection." After a time there will be substantial revenues, which will want to be *administered*, not *collected*.

Lower down I want to point out that the limitation of liability to a fixed amount beyond the paid-up share capital has not been found to work well in practice. It is odd that alike in this country and in India, people, evidently anxious to avoid unlimited liability, should so readily hit upon this supposed *via media*, which, as a matter of fact, gives the bank *no asset on which a lender would lend anything*, while undoing all the good in enforcing watchfulness and care *which absolutely unlimited liability ensures*. Experience has shown the proposal to be a bad one.

In Chap. I. (5) the tail end of this paragraph (5) is utterly bad. If you want to supply goods, etc., you must form a separate society, though it be composed of the same members. You must, as experience has shown, above all things avoid mixing up credit and supply. The list of "objects" higher up will accordingly have to be revised. But really all this apparatus of specifications and particulars (see paragraph 7) is quite unnecessary. The very successful "People's Bank of Edinburgh" errs on the opposite side. It lays down too little. But it has worked thoroughly well. That is a clear argument in favour of a co-operative as compared with a companies law. In a co-operative society the vigilance of the members and the absence of occasion for improper profit serves the purpose of these peddling Company Regulations.

Chapter II. I do not feel called upon to criticise. In Chapter III., Clause 73, larger powers might be taken in accordance with what is permitted in our Industrial and Provident Societies Act.

In Clause 74 the partial limitation of liability is not likely to work well, as already shown.

Clauses 75 and 76 appear to presuppose that co-operative banks are to be formed exclusively on the basis of share capital, whereas the banks more particularly pleaded for and likely to be useful (apparently) are the Raiffeisen Banks, which *require no shares*.

I have already spoken about the danger involved in withdrawable shares without further safeguards.

\* To the Presidency of the *Banco di Napoli*, a State institution.

Clause 77, allowing more than one vote to a man, is unco-operative and not likely to work well.

Clause 85. The objections of the Board to "privileges," *i.e.* mainly exemptions, are conclusively met by the arguments used in Parliament when our own Acts were under discussion. The matter has, indeed, been thoroughly thrashed out, and the success of our legislation, giving privileges but nothing else, as compared with the legislation of other countries, is conclusive corroboration. Mr. Gladstone at the time argued that it was legitimate and wise to stimulate provident and co-operative action by remission of taxes, such as stamps, but that it would be both illegitimate and unwise for the State to give encouragement in the shape of money. This is in keeping with the Governor's argument. Our British scale, which gives most things free, might be followed, except that Raiffeisen banks, being under our law "specially authorised societies" and liable to a registration fee of £1, ought to go free. On the other hand certain services, such as settlements of disputes, ought to be charged for, as they are here.

I am opposed to privileges of distraint, of priority of claims, etc., because they do not work well, and hinder co-operative action. I do not see why letters should pass free, except it be to and from the Chief Registrar. But the use of some official room for the purposes of the society might be useful. In Italy the local authority frequently lends the village hall (*municipio*), and sometimes the priest the church.

But all these exemptions must be supplemented, not balanced, by strict supervision. You cannot be too stringent so long as you do not actually interfere in the management. There is no better service that can be rendered to a co-operative bank than strict inquiry and supervision, *coupled with publicity*. That is the object of the Supervising Council, which Mr. Nicholson, in his "Village Bank Rules," fixes at too low a number. He puts the Directors (Committee of Management) at nine, which is too much for a small place, and the Supervising Council at only three. The usual figure in the Raiffeisen Banks is five and nine, and very rightly. You do not want a large committee. For its office is to act and not to rely upon others. The office of the Council is to inspect, and to be strict. You can "get at" two or three, this is what the Auditor of one of our Civil Service Credit Societies told me, approving the larger number. "You cannot get round six or nine." The Council ought to be larger.

At the same time I must warn the India Office that in the first period supervision by the Council is likely to prove a delusion. It has proved so in Ireland, and the Irish Agricultural Organisation Society have unwisely, and against my protest, struck it *for the time* from the rules, substituting an inspector of their own sent out

by the central authority. That inspector ought to be at work as well. That is one of the main services which a central society is intended for. And if it does not exist, or does not provide for periodical inspection by its auditors, the Government ought to appoint its own inspectors or auditors. The German Government is very strict in this respect, and does so. But, while these *consules videntes ne respublica*, etc., etc., are at work under exceptional circumstances, the local council ought to be trained to its work; nominally the inspection should be the council's, with the inspector acting as assessor only.

The whole chapter would be better if the Bill adopted were made to resemble our two Acts quoted.

While upon this subject, I ought to explain that Mr. Nicholson goes too far in the preference which he gives to Raiffeisen Banks over Luzzatti or Schulze Delitzsch Banks. The latter may be made economically and even educationally quite as useful as the Raiffeisens. And they suit some localities better. The Raiffeisen Banks, of course, may have shares. Only, the shares should be small.

The provisions about giving the preference to small business and allowing a larger interest on small deposits must be, in their application, absolutely dependent upon circumstances. A bank will have to bid for its money. Small deposits may mean a loss, as in Savings Banks. The Bank must cut its coat according to its cloth. However, if it is to be co-operative, it is absolutely essential that the *rate of interest on shares should be limited*. Non-limitation has led to grave abuses. Mr. Nicholson appears to make no provision for this.

The crucial difficulty, of course, must always be the provision of the first funds.

Raiffeisen begg'd his first funds and Schulze Delitzsch scraped them together in the same way. Schulze Delitzsch's idea was, that a share capital plus unlimited liability should attract deposit money at a time when in Germany Savings Banks were few. Raiffeisen's idea was, that some better-to-do people should join with the poor, and give them the benefit of, for a time, their deposits, always their credit and their knowledge of business, to put and keep the Bank upon its legs. In England, before, under the Act of 1898, Raiffeisen Banks became entitled to borrow, *i.e.* to take deposits beyond the two-thirds limit, I recommended, as I still do, a guarantee at a Commercial Bank, in other words a drawing credit.

In India, though I do not know, it seems that there is little chance of such help being forthcoming. Mr. Nicholson recommends "Founder's shares," which in this country their very name would condemn. I disapprove of them on other grounds. We have got them in French Agricultural Syndicates and they create

two classes, where there should be only one, and an oligarchal Government, which is pernicious in this application. They are accordingly being gradually got rid of. Apart from this, the man who will be ready to take founder's shares will be quite as-willing to give a guarantee or place a deposit.

Mr. Nicholson also recommends debentures. Sir W. Wedderburn is likewise enamoured of debentures. But what are you to give debentures upon? You have no pledgeable property. Liability is no proper security. I have already shown that under the Act of 1843 debenture holders in Ireland have lost their money. The mere chance of this is sure to prejudice a bank. And the less of pledge credit you introduce into this banking practice, the better will it be. The Raiffeisen societies do take mortgage security to a limited extent. But only as collateral security. Personal security is the rule. So it is, according to the books, in the Schulze Delitzsch Banks. One of these once lent money on a mill, which was bodily carried away by the flood. And some Italian banks have suffered severely, a big one now ruined some years ago, by practising mortgage credit. The value of the land was depreciated. The money was locked up. Other pledges are very unpopular. Our English bills of sale spoil the borrower's position.

As regards State subventions I fully share the Governor's abhorrence of them. And what he urges in Clause 23 (p. 163) is absolutely correct.

What is now going on in France and Germany does not disprove this. Governments have had large sums voted in support of agricultural credit, which leads to the creation of many bogus banks after the manner of what the Board state as happening in Mysore (Clause 22, pages 1 to 3) but on a larger scale.\*

However, money must be found in some way, and so long as the danger of the loan being turned into a gift can be guarded against, I do not see the harm of an advance. I have elsewhere compared this to the pail or two of water which we used to have to pour into a new pump of the old type, *not to provide the water to be drawn up, but only to get the sucker to work.*

We have had to accept some State aid in Ireland (£2,000), and, though it is too soon to speak positively, it does not appear to have worked any mischief. But it is true, the Irish village banks are exceedingly well officered.†

This is what has happened elsewhere.

By far the best plan is, however, that the money should be

\* German and French spoon-feeding by the State had a distinctly political object, namely, to catch votes—in Germany for the "Kaiser," in France for the "Republic" as opposed to supposed Royalists and Clericals.

† That State aid was subsequently arbitrarily withdrawn, to the no small embarrassment of the erst-assisted societies. That should serve as an *exemplum utile*.

found by private persons. Once a sufficient number of banks have been formed to justify the creation of a central bank, the difficulty about first funds will disappear. For such a bank will be in a position to make advances to new local banks and keep them sufficiently in hand to avoid danger.

Since writing the foregoing I have looked over my pamphlet, "Village Banks," which I hope very soon to issue in an amended shape. The difficulty about raising the first funds referred to in pages 7 to 9 has been got over by the passing of the Act 61 and 62 Vict. cap. 15. Any bank taking power to do so may now borrow what it likes under certain conditions. An Act passed for India would presumably confer this power from the outset under similar safeguards. Still, the method of securing the command of the first funds by a guaranteed drawing credit represents out and out the best means for securing the command of money. Interest will have to be paid only on the sums actually drawn out on the strength of the guarantee and the members of the Bank will be more continually and more forcibly reminded of the fact that they are dealing with borrowed money, which will have to be accounted for and repaid within a stated time.

I ought to state that it is quite possible that village banks may, during the first year or two, find themselves making a loss and not a profit. That frequently happens. The bank should not be necessarily closed on that account.

I have seen the Chief Registrar about the matter of a convenient Act. He thinks there will be no difficulty about drafting an Industrial and Provident Societies Act which will allow unlimited liability banks to be formed under it as well as limited liability.

Sir Charles Bernard acknowledged receipt in the following terms :

INDIA OFFICE,  
WHITEHALL, S.W.  
*July 13th, 1900.*

DEAR MR. WOLFF,

Thank you for your Memorandum. It will be laid before the Secretary of State and be considered with due attention.

You are right. Mr. Nicholson's scheme is too large. We will confine ourselves to Co-operative Credit.

Your argument against State aid appears conclusive.

Believe me,

Yours sincerely,

CHARLES BERNARD.

HENRY W. WOLFF, ESQ

It will be seen that to a slight extent we were at cross-purposes, and a little misunderstanding of my meaning—

which was subsequently partially corrected by the late Sir James Wilson's judicious interference as one of the Committee adjudicating upon the draft—nearly led to the exclusion from the scope of the Bill of co-operative societies other than for purposes of credit, the desirableness of the formation of which I had nevertheless pointed out in my Memorandum. I was then not thinking of distributive societies, for which I held that there would for the moment be little call in India, but of co-operative supply, productive, and common labour societies for the promotion of Agriculture which it is now very rightly sought to multiply. However, it might have been considered out of place for me to urge the India Office further. And at that stage to secure a good measure providing for the formation of credit societies—the great need of the hour—appeared a gain sufficient in itself, which it would be well to secure without asking for more. The credit societies once being formed, so I judged—and evidently judged rightly—Co-operation of other forms would follow as a matter of course.

The next step taken was, after consideration of the matter by the local Governments, the appointment of a strong Committee under the chairmanship of Sir Edward Law, to decide on further action. That Committee met at Simla in 1901. Hearing of its impending meeting I thought it might be of service if I sent a copy of my "People's Banks" (of which in the meantime the second edition had appeared\*) and some other publications bearing upon the subject of Co-operative Credit to the India Office for the use of the said Committee. It was not altogether an agreeable surprise, however complimentary to myself, to learn some time after, in reply to my inquiry, that those publications had proved of so great interest to the gentlemen at Whitehall that, instead of forwarding them to Simla, they had kept them in London to read for themselves. That gave Mr. Dupernex's, to my mind objectionable, proposal—offered, of course, in thorough conviction of its being good—of imitating the example of Mentone, by starting urban banks with offshoot rural societies around them dependent upon their financing, an undesirable advantage. Mr. Dupernex was—quite unintentionally, of course—altogether wrong in stating that that form of organisation was common in Italy.

\* It is now in its fourth.

Probably he had been told so at Mentone. But it was altogether at variance with facts. As a matter of fact "urban" and "rural" banks—so to call them for the nonce—were in Italy at that time leading a life of cat and dog, and would not look at one another. M. Luzzatti had even given instructions that at Padua I was not to be left alone with Dr. Wollemborg. It was only at our International Congress at Cremona, in 1907, that an understanding was effected, which has ripened into a true heart union, and brought about common action, but not in the way suggested by Mr. Dupernex. How little that system of grouping rural societies round an urban bank and making them dependent upon it deserves commendation has been subsequently shown by the experiences of the numerous little banks formed under Mr. Dupernex's guidance around Banda. On the other hand, Mr. Dupernex was perfectly right in advocating his "Organisation Societies"—that is, minus their proposed financing action—to do the preliminary work and train raiyats to the use and management of societies—societies to be composed of philanthropists providing the first funds—only not to anything like the lordly extent recommended by Mr. Dupernex (for new bantling societies) and training the members of such for their work. The Committee, without good reason that one can see, objected to this.

In due course I received the following from the India Office :

INDIA OFFICE,  
*February 6th, 1901.*

SIR,

I am directed by the Secretary of State for India to thank you for the books and papers \* marginally noted, and especially for the Memorandum you have drawn up regarding proposals for establishing village agricultural banks in India.

\* Letter of June 26th, 1900, with copy of Mr. H. Dupernex's book on "People's Banks in Northern India."

Letter of July 3rd, with a Memorandum on Mr. Nicholson's scheme and the Madras Government Orders regarding agricultural banks. Also copies of your—

"Village Banks, with Model Rules, etc.," 1898.

"People's Bank Manual."

"Co-operative Credit Banking," 1898.

"Co-operative Credit Banks," 1898.

"The Industrial and Provident Societies Act, 1893," with explanations and forms.

The important subject of these papers has for some time been under the consideration of the Government of India. Famine relief operations and other important business have caused action to be temporarily postponed. But the subject has recently been again taken up. A copy of your Memorandum and of the letters and books cited above will be forwarded by Lord George Hamilton to the Government of India, who will be glad to have the advantage of your extensive knowledge of the principles and practice of co-operative village banking.

I am, etc.,  
A. GODLEY.

HENRY W. WOLFF, ESQ.

The Simla Committee having reported, a Bill was drawn up, of which I was once more allowed the privilege of seeing the draft, with an invitation given me to express my opinion upon it. There seems no reason for quoting my fresh Memorandum, handed in in December, 1903, at length—it is rather long—but I may be permitted to extract certain passages in order to make my position in the matter quite clear. The letter is once more addressed to Sir Charles Bernard. Such passages are as follows :

“ The Co-operative Credit Societies Bill, upon which you have been kind enough to ask my opinion, invites criticism on more points than one. To be frank, I agree very much more with the sound principles generally laid down in the Council’s despatch, the import of which was reflected in Sir D. Ibbetson’s speech introducing the Bill than with the Bill itself. Since I know nothing whatever about India, I presume to speak of the Bill only so far as the principles of Co-operative Banking come into account. . . . No doubt the original scheme was much too large. However, I beg leave to express regret at the fact that it has not proved possible to deal with Co-operation generally. There are already some beginnings of distributive Co-operation in Calcutta. . . . As the credit societies develop, the want of agricultural supply societies and, maybe, of distributive societies and agricultural productive societies, is sure to make itself felt. Such societies evidently ought to be encouraged. And probably all these things might—as is, with one exception, done in this country—be provided for by one Act. . . . I also regret the distinction made between ‘urban’ and ‘rural’ societies. The names are

not happily chosen and may lead to the introduction of hindering elements. . . . The dividing principle is not that of town and country. It is that of a confined, self-contained district, in which alone unlimited liability is practicable, and, on the other hand, any district, urban or rural, in which you may choose to apply limited liability. . . . In any case it is a principle of co-operative banking that the more you can mix different classes, having different wants, and wants in different seasons of the year, in one society, the stronger, *cæteris paribus*, will that society be. It is quite right that unlimited liability societies should be kept out of towns. . . . But it seems questionable to keep limited liability banks out of the country.

"It seems even more questionable to limit membership to one calling. There are probably artisans as well as agriculturists living in Indian villages. And why should such be shut out? The Council appears to desire to keep the societies puny. In that case there will be puny results—maybe disappointment. The more members you have, the stronger will your bank be. Besides, it goes right against Raiffeisen principles to keep out the wealthier residents in the country. You want them to nurse the bank into strength, to say nothing of the educating influence in respect of business, and generally, more especially moral, which I presume that you want the bank to exercise. The more you limit membership to small and poor folk, the more, and the longer will you, moreover, have to assist the society with State aid, which I am glad to see that the Council wish to do as little as possible. Prolonged and indiscriminating State aid is destructive of self-help. I fully endorse all that the Council says about State advances. The State aid given in Germany, France, and Austria has been productive of much mischief—the creation of a great deal of bogus Co-operation, which has resulted in loss and done no good to the people.

"The clause in the Bill 2 (g) also tempts to a word or two on the official interference proposed, which may be necessary in India—all the worse for Co-operation—but which has been meted out with no stinting hand. The Registrar is to say who is to be eligible. The Registrar is, I suppose, also to turn out undesirable members. That shifts the responsibility, which properly belongs to the society, on the Registrar. Raiffeisen adopted unlimited liability in order

that societies should stand on no etiquette with candidates, consider well whether such were eligible, and unsparingly supervise them. Once the Registrar is responsible, instead of members, such motive and object is gone. In truth all this Government supervision imposes upon India that tutelage which in respect of our Friendly Societies, ministering to the very helpless and uninstructed class, Parliament has again and again refused to sanction, because it must destroy the peculiar utility of the institution. The 'group of contiguous villages' is altogether good. Clause 7 speaks of a rural society borrowing, subject to the sanction of the Registrar—once more a case of interference. . . . In truth there is little fear of the power of borrowing—in a narrower sense, in which evidently the word is here applied—being abused. The difficulty threatens to be not that money will be recklessly borrowed, but that none will be got. And then, how about deposits? It is evident from what follows after that there are to be deposits. They are of the essence of the bank. And the Council has done absolutely right in not exempting them from liability to attachment. In the unlimited liability societies you must have deposits, or you can do no business whatever. Even in the limited you require them, unless your society is to degenerate into a mere Slate club. Its object is to use its credit. But nothing is said about deposits.

"I should say that a clause is required defining the objects of the society as we have one in our Act. Clause 6 (3) wisely lays it down that there is to be a reserve fund. But it seems to tie it up. With due submission it seems to me desirable to state (what is of course understood) that, though not available for dividend, it is so for losses on the annual business. I should rather have put 'surplus' in the place of the first 'profit,' and 'interest' in the place of the second. The less 'profit' is suggested the better. Clause 8 (2) is excellent and must not be let go. Clause 8 (3) may prove inconvenient and the 'at any time' may want qualifying 'after the debt has become due.' 'Agricultural produce' is a very inconvenient security to hold, and may prove costly. . . . Clause 22 only calls for this suggestion. The society must be made to know whether the members hold *takavi* loans or not. The existence of such a loan reduces its own security. It ought also to be

laid down that a person may be a member of *one* society only. The society judges of his 'value' according to what it knows and can see. To allow an unseen liability behind would be to deceive the other members. It is a common rule.

"I apologise for going so much into detail, but having been asked I give my frank opinion, and remain, etc."

As a sequel to all this correspondence and palavering Act x. 1904 was passed. In pronouncing his sanction of it the Viceroy, Lord Curzon, paid me the compliment of specifically referring to the advice given by me as the Government's justification for not allowing a larger amount of State aid. His words were these: "There is one point upon which there seems to have been some misconception, and which it is desirable to make clear. I have seen it complained, and at an earlier date I have heard the complaint from the lips of an Honourable Member of the Council, that Government might have been a good deal more liberal in initiating so great an experiment, and that part of what we take from the people in land revenues we might very appropriately give back in capital for these societies. These views, plausible as they may seem, rest upon a complete misconception, both of the Co-operative System and of the policy of the Government with regard to this peculiar scheme; and I desire to supplement what fell from the Finance Minister on this point. It is not primarily because the financial contributions that might have been required to assist any new institution would be great, or because we grudge the money, that so little is said about grants-in-aid by the State, but because the best advice and the teaching of experience are at one in the conclusion that unrestricted Government assistance is dangerous, and may be a fatal gift. 'Prolonged and indiscriminate State aid,' says Mr. Henry Wolff, who is an unrivalled authority on the matter, 'is destructive of self-help. . . .' For similar reasons no special powers of recovery of debt have been given to the societies. The object is to foster a spirit of responsibility and self-reliance; and it is because the societies must be dependent for their success on their own care and caution in the disbursement of their funds that it has been possible to dispense with restriction on their powers in the Bill that would otherwise have been necessary. Government aid

will be forthcoming when necessary, and there is more danger to be apprehended from excessive liberality than from the withholding of assistance where there is a prospect of its proving advantageous."

To have carried that point was under the circumstances certainly something to be thankful for. For there was at the time a great clamour for State action and financial State help. Mr. Dupernex's proposal providing for a right royal endowment for widespread spoon-feeding was still before the Council. And Sir Frederick Nicholson, having shortly before paid a visit to Egypt and seen the Agricultural Bank of Egypt at work there, had turned completely round upon himself, and, having concluded his masterly Report of some years before with an earnest admonition : " Find Raiffeisen," had, in 1904, impressively urged the copying of the Egyptian example. The Government, as already stated, at once submitted his proposal to an expert authority still in active service in India, and, his Report proving altogether adverse, had wisely dismissed Sir Frederick's scheme as unacceptable. How judicious such decision was may now be judged by a comparison between the results in the two countries : Look on this picture, and then look on this !

As a matter of fact the State aid actually allowed has proved amply sufficient, and I think it was quite in the right quantity and the right form. Societies complying with the rules laid down have been allowed moderate assistance, free of interest, for a period of three years. That period of grace has avowedly served as an inducement to keep societies longer in debt to Government than was really necessary. Also I regret to see it owned to that the conditions laid down with regard to it have led to an abuse which might indeed have been foreseen. Societies applying for a State advance are required to show an equal amount of money in their keeping in the shape of share capital, reserve fund and deposits. The consequence of this has been that wily Hindoos in some cases have borrowed a certain sum from mahajans to deposit with their society, in order on the strength of that to claim the corresponding State advance—after which very probably the deposits borrowed for the purpose of window-dressing were withdrawn. Cases of this kind are referred to in one of the annual Reports from Assam.

However, there has not been really much harm done. And no one would seriously have conceived of a Co-operative Credit movement being started in India altogether without State aid. Otherwise the objects of the Act are very clearly and very ably set forth in the official Summary of the Act, of which Sir Denzil Ibbetson's speech in Council was an admirable condensation.

The Act as it was passed was just what might have been expected from the collaboration of exceptionally able men, thoroughly in earnest, but dealing with a matter really entirely new to them. As a matter of course various points had been overlooked. It is not necessary here to enter into all that is laid down. The Act was, more particularly, marked by two distinct defects. In the first place it limited authorisation, save under a permissive additamentum adopted on the proposition of Sir James Wilson, to credit societies only. In the second, it made no provision for societies combining among themselves to Unions, or forming Central Banks, which is under all circumstances highly desirable and in India may be considered an absolute necessity. Both these defects have been remedied by the Act of 1912. That does not yet, of course, make existing legislation perfect. There will be more filing necessary as time goes on. However, for the time it has given Indian Co-operators what they want.

Co-operation may be said to have been fortunate in the manner in which the new legislation was put into force. There has never been active interest wanting in either of the two grades of official organisers and controllers called into action. And the seed cast out by them may be said on the whole to have fallen upon fertile and responsive soil. And, apart from some trifling aberrations, the machine has been kept moving on right lines.

The choice of the Registrars, upon whom the immediate responsibility for setting the Act in motion has fallen, was certainly happy. These gentlemen buckled to their new task with unmistakable determination, interest, and judgment—as I may well testify, since the majority of them came to me at the outset for information and suggestions and most of them have subsequently honoured me by maintaining a close touch, freely giving me information and asking my opinion. Some of these gentlemen at first

anticipated serious difficulties in the provision of money and in their getting together sufficient adherents in a society bulkheaded by walls of "caste." But all were keen.

Mr. W. R. Gourlay, the first Registrar for Bengal, who has done yeoman's work for the movement, and to whom the movement is to a large extent beholden for a sound foundation laid, readily accepted my invitation to attend our International Co-operative Congress just about to meet at Budapest (I being at the time President of the International Co-operative Alliance), which enabled me to introduce him to the leaders of the chief Co-operative Credit movements in Europe. Most of these he afterwards visited in their own respective homes. And, not content with that, he settled for four weeks at Neuwied, at that time the headquarters of the Raiffeisen Union, and there studied the practical working of rural Co-operative Credit thoroughly, under the guidance of the leaders of the movement, attending committees, visiting societies, watching inspections and making himself thoroughly acquainted generally with everything that was being done. In this way he made himself completely master of his subject. And the four weeks' apprenticeship referred to, so Mr. Gourlay has subsequently owned to me, taught him more about the practical work that he had been charged with than all his book reading. One can readily understand this. For co-operative banking is a practical business. And there is very much indeed in the practice of such banking that writing, were it by the cleverest scribes, the most lucid expositors and most imaginative illustrators, cannot teach and that can be learnt only by the personal observation of practice, with all its practical details, such as will show whom to trust, what precautions to take, how to guard against abuse and against imposition, and what allowances to make in one's calculations. So much depends in co-operative banking upon character. And there is nothing to instil an understanding of rural borrowers' character like the observation, in detail, of practical business. As mere writers we authors are emphatically "out of it."

There is also distinct benefit in going back from time to time from new departures, such as new circumstances absolutely call for, to first principles, and from new schemes, in which anticipating conjecture and imagination play a great part, to longest-established practice, with its most

varied and extended experience. As matters now stand, one could not of course expect Indian Registrars, even in the neophyte days of their practice as Registrars, to do as Mr. Gourlay did twenty-three years ago, that is, go bodily to Germany for tuition. Indeed, Co-operation has in India made such progress and to such an extent developed a character of its own, suited to local conditions and local idiosyncrasies, that people engaged in it cannot do better than continue to build up in the same style on the foundation already laid. We know now what original Raiffeisenism is accomplishing, and how it is working. And that should never be lost sight of. For principle remains principle, whatever adaptation to new environments be required. And longest experience establishes the best code.

Whatever be the calls which its being placed amid new circumstances addresses to Co-operation, we have no reason to fear that those who are at the helm for its guidance will not be equal to adapting their course to prevailing currents. For one most praiseworthy feature in their conduct of affairs, for which Indian Registrars deserve the highest credit, distinctly is the resourcefulness which they have shown under new conditions. In the jungles and thickets of new circumstances they have with truly Indian instinct always managed to discover some path to lead them through. The paths chosen may again and again not have been absolutely the best. But in general they have served as evidence of good practical sense and pliant adaptability. We may therefore with confidence leave the actual battling with practical difficulties to the Registrars.

In the higher grade of the official hierarchy likewise the movement has been favoured by sound, judicious guidance. Whatever casual mistakes may have been committed, in its main principles the movement has been kept on its proper lines. Registrars in their difficulties have sometimes sighed for "Egyptian fleshpots," that is, among other things, for more liberal pecuniary benefactions, grants of *takavi*, and compulsory collection. Their superiors have (wisely in every case) met such requests with a blunt refusal. To yield would have been to spoil Co-operation for the sake of momentary convenience; to mar the good fortune of an institution carrying in its cornucopia (not quite easily opened, so it is true) rich stores of good gifts and steadily

advancing with great promise of the best services, for the sake of a little deceptive and fleeting ease.

Under such encouraging circumstances the new movement may be said to have been launched under encouraging auspices, and thus far it may be held to have more than answered expectations. Our next business will be to examine how, under such favouring circumstances, it has fared in its main lines, after which we may do well to inquire what still remains to be done on its further course.

### III

#### THE RESULT

THE result of the measure to which Lord Curzon as Viceroy gave his sanction in 1904 must have astonished even its own authors by its largeness. It has, at the same time, so it is satisfactory to note, gratified co-operative observers by its general soundness. If the planting of the new seed has required patience and labour, its germination and growth have brought forth rich fruitage, which now is satisfactorily ripening under a favouring sun. Generally speaking none of the obstacles of which so much was made at the outset, and which appeared to bar the way like unsurmountable mountains, have stopped progress. The familiar "lions in the way" have proved idle phantoms. Nor yet has the poverty of the rural masses seriously hindered their being broken in to habits of providence and thrift and raising funds for their own fructifying use by means of self-help. No more has prevalent gross illiteracy disabled them from learning to understand at any rate the methods, if they do not yet indeed generally grasp the principles, of the new institution.

Certain backward races have indeed had to be taken in hand by the indefatigable and self-sacrificing missionaries, acting as elementary teachers—guides in religious as well as economic instruction—who rightly discern in this new form of economic betterment a "service to man" which fits well into their sacred charge; and they are succeeding in their work. No more have differences of caste formed an insuperable barrier. Members of different castes have in some provinces been found content to join hands in common work for the national cause of social improvement, which benefits the workers' surroundings as well as themselves. Even among the "depressed" classes Co-operation is making

headway and, among other benefits, spreading sobriety. No more have Mahomedan scruples about the taking of interest on loans stood in the way. "*Il est avec le ciel des accommodements.*" A way has been found for transacting credit business in one or other of perfectly businesslike ways, and without the taking of "interest" in anything like an objectionable form. The dreaded mahajan, with his insatiable greed and his command of legal trickery, under cover of false declarations and affidavits, has not been able to block the way, though he has undoubtedly tried to do so. The glad tidings of relief have been greeted with equal readiness and thankful joy by the Hindoo, still cherishing the recollections of the happy group-life in the ancient Indian "village community," for which he hopes to find a substitute in Co-operation, and the Moslem rejoicing in the brotherliness and community of interest which distinguishes his creed.

No doubt there are difficulties still to be overcome, some of them very serious. Some such it will be my task to touch upon in the present chapter, and consider at greater length at later stages. But, whatever difficulties there may still remain, we have an earnest, in the overcoming of the more formidable hindrances now done with, that co-operators' good will and administrators' judicious action are likely to prove equal to the task.

In view of such remaining difficulties no doubt we shall for the present still have in prudence to speak of the success thus far achieved with bated breath. But in general the outlook is decidedly hopeful. Never, in truth—unless, perhaps, we allow the remarkably rapid attainments of what, after all, in view of present political troubles, may prove to have been only an ephemeral triumph, in liberated Russia, to rank as a rival achievement—has co-operative seed been known to drop upon more fruitful soil and to ripen so rapidly into a rich and comprehensive harvest. Pioneer co-operators in Germany, the native country of most of the institutions to which we are now trying to produce fellows in India, had to labour for years and decades, straining their patience, their vigour and their eloquence, before they could pretend to have gained anything like a sure foothold. In France Industrial Co-operation, taking the form of Production, the child of the Revolution of 1848, is at the present time still struggling in its swathing bands ;

and its agricultural brother, called into life seven lustra later, although he has already grown to larger proportions, is still walking only in leading-strings and with the help of a governmental go-cart. Italy, Switzerland, Belgium have much the same tale to tell; and even Denmark had for a long time to battle with difficulties before Co-operation emerged as a dominating force. And Great Britain is in the matter of Co-operation in Agriculture—a matter of no less pressing interest to her than it is to India—still only groping its way helplessly and very awkwardly in the dark. In India the magic touch of Co-operation almost at once conjured up success. It makes a European co-operator's mouth water to read of the funds accumulated in some Provincial Banks, like those of Bombay and Patna, of the accumulation of money creating a veritable *embarras de richesse*; of village societies in the Punjab (favoured province that indeed it has been found to be) "possessing funds exceeding a lakh of rupees"; and of a number of societies with funds exceeding Rs. 10,000.

Just about ten years after the first Co-operative Act came into operation, at midsummer, 1915, Co-operation in the whole of India, including the native states of Mysore and Baroda, but exclusive of the provinces of Delhi, the North-West Frontier, and Baluchistan—in which there had up to then been little development—stood represented by no fewer than 17,327 registered co-operative societies, composed of 824,469 members and disposing of a share capital—share capital only—of Rs. 1,48,66,045, and a general working capital, including reserve funds (amounting to nearly 52 lakhs) of nearly nine crores—of which sum only about 13½ lakhs represented nursing advances received from the State. More than four crores were then outstanding in loans (the number of which is not given; but they were almost all small). For 1925 the figures for the same area, with Indore, Hyderabad, Bhopal, and Kashmir added, amount to 71,608 registered societies, with 2,629,830 members, disposing of a paid-up share capital of Rs. 6,74,00,000, Rs. 48,19,29,000 working capital (of which only Rs. 1,07,37,000 remained over in the hands of societies from Government advances received). Native states had lost no time in following the lead of the British Dominion. Mysore and Baroda had their co-operative societies organised altogether on

the British Indian model, working under very similar Acts. And Indore, Hyderabad, and Travancore had taken their places in the co-operative phalanx. Gwalior had even in one little matter—the providing of a text-book—given us a lead. There had been Rs. 49,20,20,160 lent out in the year, of which one is ashamed to find that Rs. 13,12,66,465 was still outstanding.

Comparatively large as were the overdue amounts, the losses sustained on these transactions had been quite trifling. The money, raised at rates of interest ranging from 5 to 8 per cent., in some few cases 10 per cent. (6 to 12½ per cent. being paid on shares), had been lent out to borrowers at rates varying from 6½ to 10 per cent. and in a few cases to 12½ per cent., which for India is a moderate rate enough. Schulze Delitzsch's banks began early in the 'fifties with lending at 12 to 13 per cent., in addition to which there was 2 per cent. commission charged. This was at the time considered a boon. (The Schulze Delitzsch banks have now all come down to 5 or 5½ per cent. with no commission.) The "agricultural societies" ("primary," or local) are all small. The average number of members is, for all India, a little above 37, for non-agricultural 146, and for "Central Banks" 111 (societies). In "agricultural" societies the figure reaches the highest point in Bombay, which reports an average of 100, Coorg following next with 82, Mysore with 77, Madras with 75, Assam with 58, Bihar and Orissa with 48, Bengal with 46, the Punjab with 40, Ajmer with 37, the United Provinces with 36, Baroda with 33, the Central Provinces with 29, Burma bringing up the rear with 21 and 22. The number of societies is largest in the Punjab (12,490, *i.e.* 60·3 per 100,000 inhabitants), next comes Madras with 11,139 (26·31), Bengal with 11,047 (23·71), Bihar and Orissa with 6,427 (18·9), the United Provinces with 5,997 (13·2), Burma with 5,549 (47·4), the Central Provinces with 4,364 (31·4), Bombay with 4,126 (21·4), Assam with 823 (10·8), Ajmer-Merawa with 533 (106·6), Delhi with 208 (41·6), Coorg with 182 (91), Hyderabad Administered Area with 9 (9·0). The Registrar of Burma takes credit for it that in three districts of his province, namely in Kyaukse, Shwebo, and Pakkoka, societies lie as thick per area as in Central Germany. However, his societies are incomparably smaller than the German.

Measured by the number of members, the order of the provinces is this : Madras, 1,65,606 ; Bengal, 1,43,448 ; the Punjab, 1,38,245 ; Bombay, 1,31,018 ; the United Provinces, 1,17,232 ; the Central Provinces, 1,03,132 ; Mysore, 74,906 ; Bihar and Orissa, 68,713 ; Burma, 55,730 ; Assam, 19,700 ; Ajmer, 13,920 ; Baroda, 10,994 ; and Coorg, 2,781.

As the societies have grown in strength—which they have to a remarkable degree—and the Central and Provincial Banks have come in to lend their aid, the need of Government help has grown smaller and smaller. In the Punjab, to state one instance, between 1908 and 1914 its proportion to general working capital went down from 19·8 per cent. to 0·50 per cent. Indeed, it was in several provinces reported wholly superfluous, as long as ten or eleven years ago. However, the benefit of holding even only a small Government advance altogether free of interest for three years together has naturally tempted societies to take advantage of the opportunity and retain the money longer than was really necessary.

There can be no denying that here is a great, in truth, a magnificent, work accomplished. "At a low computation," so said Sir Edward Maclagan at the sixth Conference of Registrars, held in 1912, "we save the agriculturists of India from an absolutely unnecessary burden of at least ten lakhs of rupees on every crore of rupees lent out by co-operative societies. And the sums so lent out already begin to be counted by crores." They have grown larger since, the saving increasing proportionately. And that is not all by a long way. For in many districts the mahajan has by the competition created by the societies been compelled to lower his terms and deal more humanely with his borrowers. How many thousands of raiyats breathe more freely for having been able, by an easy *versura*, to convert heavy debts, dragging at their feet like cannon balls chained to a convict's leg, not for one lifetime only, but for several, with practically no hope beyond, no prospect of settlement except by eviction, into a burden which, by reason of the much lower rate of interest charged and the exclusion of the chance of trickery perpetrated under guise of legal process, they can cast off in a few years—after which to be free ! How many relatives of girls destined to marriage or of near belongings of men to be carried

under ground will be grateful for having had the cost of the religious ceremony severally of a wedding or a *sradh* greatly reduced to them! And how much more produce is there likely to have been got out of the soil by the employment of fertilisers, of better seed, of modern implements! At the same time there is—it may be slowly, but with remarkable steadiness—a treasure growing up to men's credit in the shape of deposits, in a doubly useful, because productively beneficial, money-box. Pusa no longer works for the wealthy only.

Co-operative societies have distributed its improved seeds far and wide, among the needy as well as among the rich. There is more money for wells and irrigation generally, which means a touch of Midas to Indian soil. Cottage industries, such as silk and cotton weaving, spinning, dyeing, also carpentering, shoe-making and the like, one of the hopes of the Indian working population, are doing the better for the help of the new organiser and profferer of money. In Burma—and not in that province alone—Co-operation is pumping up much water for irrigation and providing new homes and settlements for landless and homeless. *Vivant sequentes!* For in this application of Co-operation lies the promise of incalculable benefit to poor Indians. And in other provinces of utility as well already does Co-operation provide beneficially—say, in housing, in subduing malaria, in draining, well-sinking, silt removal, in suppressing litigation, to some extent in cattle insurance, and already—great triumph, that it is—in the consolidation of holdings. An entirely new atmosphere has been breathed into Indian country life. A new horizon has been opened to the Indian tiller of the soil.

And we see the result distinctly affecting the moral and intellectual character of the people. There is a keen desire observable everywhere for Education—not Education for purposes of pelf only, in the shape of training for Co-operation and for better domestic management and business. That appetite, in truth, has not yet been awakened to anything like the desirable degree. But people are crying out for school teaching for their children. The *guru* is everywhere in request. Societies spend money freely on *pathshalas* and on *gurus'* keep. The societies of Bihar and Orissa in the last year opened 75 schools at their cost. Some societies

have actually made their secretaries throw into their regulation work a certain number of lessons in the raw elements of school culture per week to children. Cultivators are eager to learn about perfected Agriculture. Provident habits have at any rate made a start on a promising course. And the first shy heralds of a new practice of saving money in a more useful shape than heretofore have shown themselves, the vanguard of the great army of secret hoarders bringing out of the ground some of their concealed treasure to put into the exchequer of the great national cause. Manifestly the labour employed has not been given in vain.

There can be no question to what influence these results are due.

In the first place, there is in the new institution unmistakable appropriateness to the conditions of the country. The ancient Hindoo village community, the fraternal group and family feeling among the Moslems, the readiness with which—as is attested by both Sir Frederick Nicholson and Mr. Dupernex—Indians have taken to the provident and semi-co-operative practices of the Western world in their *nidhis*, *akharas*, and similar institutions, not forgetting the *lānas* or *rāthas* and *dangwāras* of the Punjab, prove that Co-operation is no bare name to Indians, that in their nature lie hidden germs of a tendency favourable to its acceptance and development, which readily fasten their tendrils and rootlets around the old shoots of social life and soon gain a gripping hold. It was the knowledge that this was so, no doubt, which prompted the heartening prophecies of such greatly experienced Anglo-Indians as Sir Arthur Cotton.

It should also be borne in mind that India, the country of fabled riches, is in truth a country at the same time of immeasurable popular need. Now it is a general experience that it is backward countries in which Co-operation most readily gains converts and strikes root, gathering followers to its banner. It is primarily need which prompts to co-operative action, because under need the necessity of relief is most keenly felt and desire for it ripening to energetic effort is correspondingly most quickened. And it is its simplicity which particularly recommends Co-operation to the needy, the men of little culture.

No doubt it has to be appropriately shaped to make it suit their faculties of understanding. For this reason it is indispensable that it should be kept simple, and intelligible to the plainest-minded. And that it is, I think, which particularly commends the system actually selected. And the common interest which it evokes and which grows upon people, the new ties which Co-operation weaves, appeal naturally more or less powerfully to the isolated. One would say that the separation from other villages, owing to the undeveloped condition of communications, which is otherwise something of a hindrance in India, in itself tends to attune the Indian raiyat, with his raiyat's mind, his stereotyped simple wants and his equally simple and unpretentious hopes and ambitions, to co-operative action. Here is industry in Agriculture scattered over myriads of small communities and still much smaller farms. There is so much of the "United we stand, divided we fall" to urge to Co-operation! Co-operation is the best friend, in the present day the most indispensable ally, to small Agriculture! And at the same time it is the most effective teacher of methods of agricultural improvement, the best educator generally for the poor. There is none, for practical purposes, superior to it.

Co-operative Credit, above all forms to which Co-operation lends itself, was bound to have a strongly alluring voice for the struggling small Indian cultivator. In Great Britain we have seen Co-operation strike root first of all in the shape of Distribution—or Supply, as it used to be called; in principle the two forms are the same thing—as a help to the industrial artisan. In France the revolutionary spirit of the great national upheaval suggested industrial Production. In Denmark the tempting market of England prompted the bulking and careful grading of agricultural produce—foodstuffs—which sell best in our home country. In Ireland an influence of the same kind drove farmers to co-operative dairying. In Italy, rural colonisation, the co-operative renting of land, is the most impelling force among the poor rural population, urging them to Co-operation. In India—as, before it, in Germany—unmistakably Co-operative Credit stood foremost as the most commanding need. It was the use of *money* that was wanted. And to the offer of money the rural population

rose with a degree of alacrity such as, in the interest of sound organisation and construction upon a sure basis, organisers had rather to bridle than to stimulate.

Next, as our second generating factor, we have the Indian Government and the India Office to thank, not only for the bringing in of a measure to establish Co-operation, and the establishment of it on generally the right lines, but also for carefully watching over its application and guiding that with a judicious and, at the same time, a firm and resolute hand. More than once has it occurred that, carried away by momentary impatience to produce rapid results, and eagerness, speaking economically, to reclaim the raw ground—by means, so to speak, of a ten-share motor plough, rather than the carefully handled pioneer's spade—one or other of our Registrars has asked for "powers," or else more money, or some other extraneous help, in the place of the more slowly but more surely and solidly working co-operative spirit, to speed his work, when Co-operation has been saved by the Government's replying with a firm *non possumus* and words of guidance which have generally been in the right key.

However, great recognition, perhaps most of all, is due to those same zealous Registrars, in the choice of whom the Government has certainly been guided by a happy inspiration, who have devoted themselves whole-heartedly and on the whole with sound judgment, certainly with laudable zeal and fruitful thought, to their important mission—which, quite apart from the glaring disproportion between its magnitude and their scanty number, has proved by no means an easy one. Wisely they have deliberately abstained from forcing the pace and producing a showy *multa* rather than a valuable *multum*. But, on the other hand, they have certainly not allowed grass to grow under their feet. And, to what, on the whole—despite occasional lapses—must be pronounced sound judgment in the selection of means, they have added a most happy degree of resourcefulness, which has led them—at any rate up to a late hour—not to seek to apply in India German or French or Italian methods, slavishly copied, but to strike out new paths, suited to the conditions of the country and the temperament of the people, where such conduct seemed called for. As a particular instance I would

notice the formation—first resorted to by Sir John Hope Simpson—of “Central Banks,” certain features in the action of which I shall indeed presently have to criticise, but which, as an institution, readily and satisfactorily supply the need which has in other countries driven people to State aid, as the assumed only resource. Even in poor India by such means has it proved possible to attract sufficient free—that is, voluntarily deposited, not conscripted or donated—money. In this direction Registrars have accomplished a great deal. In recognising the quality of their present work, in this connection, we ought not to forget the work of those early pioneers who cleared the ground and laid the first, very solid and rightly constructed, foundations. The work of the two periods is one. It has succeeded so well because with sound judgment it was begun on the right plan and maintained on right lines.

However, there is, unhappily, also a reverse side to the medal, a seamy back to the woof. It is not only that progress has not at all points been equal. There are distinct signs of coming tares among the growing wheat. And those tares have grown up to threatening height, such as menace to smother the good crop, if a timely sickle is not put to work among them. It is not only that, in the words of one Registrar, “there is a good deal of diseased tissue to be cut away,” in order to keep the body sound. There are symptoms of threatening blood-poisoning and decay.

We need not take much notice of the complaints that continue to be put forward by some ultra-ardent critics that phenomenally rapid as really has been the progress of the Co-operative movement in India, it has been not nearly swift enough. “We have 700,000 villages in India,” so disappointedly exclaims Sir Daniel Hamilton, who appears to be fond of speaking in large numbers and thinking in crores. “What a small fraction of them have been thus far benefited! At the present rate of progress we shall have to wait until the year 2,200 before every one of those villages has its own village bank.” Sir Andrew Fraser chimes in with a similar lament. And Mr. Ascoli points out that out of every 150 agriculturists in India now only one obtains accommodation from a village bank, and that for every rupee advanced by a village bank Rs. 238 are still advanced by the mahajan. Aye, but progress is not at all likely

to remain as slow, comparatively speaking, as it has been hitherto. Sir Daniel Hamilton might have satisfied himself during his last visit home in what progressive manner rightly planned co-operative movements advance as they go on, by reference to the British "Co-operative Union," whose societies, like the Indian, at the outset multiplied only at the rate of units, to accelerate their pace eventually at a surprising rate, so that at their Jubilee gathering last Whitsuntide, they could boast of having three millions and three-quarters of members on their roll. These are now somewhere near five millions.

The "birks" of Sir Daniel's native country grow slowly, but they endure, and, having grown slowly, they supply all the better timber. *Chi va piano va sano, e chi va sano va lontano.* And it is *andare lontano* that we are laying ourselves out for. I have already compared our past work to laying the foundation for the railway across Chat Moss. All depends upon the foundation being sound. Once we can make sure that we have the right stones to handle, we may expect to see men and women rising up out of them numerous as those raised up according to the ancient myth by Deucalion and Pyrrha. It is the good sire and the good dam who make the valuable breed. We are troubled enough as it is with stumbling-blocks, such as illiteracy and ignorance, which lead to all sorts of misconceptions and in consequence to abuses. Let us fell our wood before attempting to square it! Of all things let us beware of "more haste, worse speed"! One good bank will make the running for a host of others. Bad banks will only frighten people off from the path on which we invite them to walk. Therefore let us make sure of advancing soundly rather than rapidly!

There is in truth no fault to be found on the score of slow pace. But there are other troubles. There are hindrances, to begin with, in the very nature of things that we have to deal with. We have enemies to combat.

There is the mahajan, of course, to work up opinion against Co-operation. And *proh pudor!* as the Government Resolution of June 14th, 1914, explicitly states, "Cases have been known in which Government servants related to, or sympathising with, the moneylending classes, have in their official capacity obstructed the progress of Co-operation." There are other officers, "honorary magis-

trates," as the Report of the United Provinces Committee on Co-operation places on record, who do not disdain stooping to the dishonest taking of profit out of pickings at Co-operation's cost.

That admission rather prepares one for the discovery of other curious administrations of justice very unmistakably dispensed with a bandage before Justice's eyes and a very incorrect balance in her hand—that is, judgments by Civil Courts and by *munsiffs*, who take their cue from those authorities. The attitude taken up by the officers of Justice in this matter stands in glaring contrast with the judicious care bestowed upon Co-operation by the administrative authorities. Such very curious administration of the law has placed serious obstacles in the way of co-operative Registrars. And it is not surprising that in their helplessness—only partially remedied quite of late—those Registrars should have sought power for taking the law into their own hands in cases of breaches of rules and proceeding summarily without previous judgment in Court.

There is no debtor, of course, who relishes the duty of repaying his debt, if he can in any way wriggle out of it. And certainly raiyats in need of money are not over-likely to form exceptions to the common rule. Rather they have shown themselves remarkably quick at learning tricks by which to evade due repayment and to get blind Justice "as she is spoke" to shield them in their contumacy. That is what invariably happens when Justice shows a leaning. We have had a lesson in Egypt, where the fellahs have quickly acquired sufficient knowledge of evasive expedients to place the wealthy Agricultural Bank of Egypt in a position which, with about 2,500 debtors in arrear out of 40,000, rendered proceedings in Court practically impossible. Such aptitude in the learning of a crafty defence makes one regret all the more that some of the safeguards of which European experience has taught the value, and indeed the necessity, were confidently put aside in India, as being irksome and professedly uncalled for. The Legislature, acting rightly, has refused to co-operative societies the drastic means of recovery which have sometimes been coveted and asked for, and which would soon have been played out, as are, since a very long time, ours in England, under the "Friend of Labour Loan Societies Act" of 1840

—applications under which magistrates were very soon brought flatly to refuse on the very good and sufficient ground distinctly stated in a Memorial handed in to the Home Office by the Bench of Leeds, that adjudications under such powers only serve to make Loan Societies careless in the examination of the security offered, trusting rather to the magistrates' order than to their own caution and so spoiling the whole institution. In respect of India the Resolution of 1914 already referred to states the ground for such refusal very well. To grant such power would have been to denature Co-operation.

However, there are more mischievous influences at work. There has, indeed, got a dry rot into the Movement, which now threatens to do serious damage—let us hope that it will not spoil all. The danger is really great. However, there are fortunately remedies available, and we must hope that they will be properly applied. But a Report which a Committee, composed of undoubtedly competent men, appointed by the Government of the United Provinces to inquire into the state of the Co-operative Movement in its province has presented, gives so alarming an account of things prevailing, that one cannot help fearing the worst, if a healing hand is not promptly applied. Some of the malpractices revealed are indeed calculated to make a co-operator's hair to stand on end. The Government of the said province has promptly resolved upon measures to be taken, and one may hope that they may prove effective. Without further evidence one cannot assume that things are quite as bad all over India. Indeed, there is strong evidence to the contrary. However, to some extent the taint has become general, and at all points there is danger that the evil, having once arisen, may spread so as to become an acute danger. So the warning given in Agra and Oudh has a voice for all the country.

The foundation of the trouble is this. A very competent Committee appointed for the purpose, presided over by Sir Edward Maclagan, who has for a very long time given close attention to the subject of Co-operation, sitting in 1915, laid down some excellent precepts for the management of Co-operative Credit Societies. On points dealing with the actual handling of money in the societies and banks—fluidity, the proportion to be maintained between "own"

capital, as it has come to be called, and borrowed—those precepts are open to question, being wanting in elasticity, inasmuch as conditions are not the same in all places. But the precepts for general management are excellent.

The mischief is that in the United Provinces they are evidently “more honoured in the breach than the observance.” And there appears to be no machinery for making them respected. The members of societies themselves—being steeped in ignorance and having an altogether false notion of the nature of a co-operative society to begin with, believing it to be a “sarkari” bank, endowed with public funds and being handled by Government “collectors,” who have to be kept clear of—are totally unaware both of their own rights and their duties, and do just as they are told by scheming and pilfering *panches* and secretaries, more particularly that abnormity, the “group secretaries,” who appear to have been brought into the array specially for directing the business—in which they ought to have no say whatever, for their own dishonest profit.

Under *panch* usurpation, moreover, there is no sufficient checking of objects for which money is loaned, no sufficient supervision of any kind, no businesslike administration. The cat has been set to watch the milk. The *panches* use the society for their own purposes, lending its money to themselves, and, when the time for payment comes, “dog does not eat dog,” and they wink at failures to repay. And all this becomes progressively worse as time goes on, because the bulk of the people to be dealt with are still, after all, terribly illiterate and ignorant, and do not really understand the principles of Co-operative Credit. Government officers are so much mixed up with the business—becoming indeed so more and more—that the raiyat naturally comes to look upon the society as a Government institution, financed, of course, by the Government with public funds, and therefore not requiring repayment until debts are forcibly collected—an institution in which the raiyats themselves are “members” only *pro forma*, having no responsibility and no voice. The *panches* are not slow to take advantage of such misapprehension. And faced as they are by a host of gullible illiterates, they have “literates” at their back of whose mischievous doings Mr. Mitra has rightly complained—who, like pettifogging back-street solicitors, put them up

to all sorts of "dodges" and plausible excuses, such as Civil Courts are foolish enough to accept.

Occasionally, when there is an inspector coming, to examine things, the bank books are reported to be "burnt," and members are privately advised not to bring their pass books, because if they do they will be made to pay. Under such circumstances inspection—on the proper conduct of which, as the Maclagan Committee has pointed out, "all hinges"—inquiry and scrutiny become a farce.

There is plenty more of a similar character.

Now the cause of this is, of course, in the first place—the lamentable illiteracy and ignorance of the population from which members are recruited—ignorance which, so far as business is concerned, the practice of Co-operation is designed to remove, but which it is not given the chance of removing while elementary schooling is kept at its present low point. In the second place, it is the lamentable paucity of officers and organisers. Their number was measured for the child of 1905. But that child has grown—grown wonderfully. And the old clothes will no longer fit it. The officers that there are do their best. But they cannot achieve impossibilities. The result of their paucity is that many things that ought to be done, remain undone, and that, to make the work manageable at all, officials have recourse to unsound, or at any rate doubtful, devices, which indeed make things outwardly easier, but tend to falsify Co-operation by placing greater reliance upon the property of the borrower than upon his character and opportunities. And, again, we see the duties which rightly fall upon the primary societies passed over to Central Banks—which is, as the United Provinces Government shows in its published Resolution, turning Co-operation topsy-turvy, since Central Banks have not the means to ascertain what wants to be ascertained in respect of borrowing individuals and their personal position. Very rightly does the United Provinces Government declare in its Resolution passed on the ground of the Report referred to, that such work shall now be taken away from the Central Banks, and that those Banks shall have their action limited to pure finance, such as balancing. Very rightly also has the same Government at once decided not inconsiderably to increase the official staff, which will have to do the necessary work

until members of societies are educated sufficiently to be able to provide for it themselves. One may hope that the increase decided upon may prove sufficient for its purpose.

It is undermanning the staff, plainly, which has, on the top of the lack of Education among the membership, led to the mischief prevailing. It would seem that the Imperial Government, and after it the Provincial Governments, have both misinterpreted the sound precept laid down, that there should be only a minimum of financial assistance given by the State. That precept refers to the *business* of societies, not to Training and Education, of which, in the earlier stages (which we have not altogether passed out of) decidedly includes inspection and supervision. For such purposes financial assistance out of public funds is permissible, and indeed indispensable. You cannot have Co-operative Credit without Education. And you cannot have Education without paying for it. The money so spent will not be thrown away.

The inquiry conducted in the United Provinces shows that the time for rectifying the mistake made has come, and that substantial help is called for if serious mischief is to be averted. One may, indeed, hope that sufficient help will be forthcoming, and that right soon. For the axe is now very near the root of the peccant tree.

Serious as this matter is, it would still be a mistake to overrate the threatened danger, assuming that help will now be given. For, looking at the movement generally, there is thus far no actual harm done, and we may be satisfied with the success achieved. European Co-operation has begun in quite the same laggard way, indeed at a pace considerably reduced in comparison with what has been witnessed in India, and defaced by similar malpractices, to gather strength and power eventually like an avalanche. Our International Co-operative Alliance, of which I was one of the founders, began with a mere handful of members, many of whom I had to beg more than once to join, in 1895. It now includes societies numbering among them about 50,000,000 members. We have begun on the right lines.

In India, too, we have with pains laid a sure foundation in an erst unbridged "Chat Moss." That being done, we need have no fear about the construction of a solid railway upon it. However, evidently Indian Co-operation has

arrived at a point at which new guide-posts will have to be provided for the path to be followed henceforth. It is encouraging to find a Registrar, in a province distinctly forward in the propagation of Co-operation, writing in 1925: "To those who remember the conditions of ten years ago, the change which has taken place in the attitude of the rural population and of the poorer urban classes towards the movement is amazing and almost incredible. In 1916 a society was suspected as a snare, while an inspector was feared and avoided as a tax-gatherer. . . . The battle is now half won, and we need only patience, trained staff, and working capital to spread Co-operation to every corner of the province. The zamindar trusts the co-operative staff and welcomes, while critically examining, a new suggestion."

Meanwhile we have this to congratulate ourselves upon. By judiciously planned, well supported and sustained effort—for their particular part in which all who have been called upon to lend a hand deserve equal credit—we have seen a structure raised up which will remain a lasting monument to the well-directed labours of the present generation. With justice may the Government of India take credit for it—I cannot help remembering that, as Lord Curzon has kindly testified, I was their adviser on the point—"that the policy of restricting State aid within narrow limits has been fully vindicated and has led to an increase of self-reliance and independence," and that "excessive State aid has been avoided, and the aim kept steadily in view has been, not the rapid multiplication of societies, but the restriction of the movement within safe bounds." The movement is bound to become a permanent asset of immense value to India. The gift bestowed means for the raiyat population a new lease of life, new hope for the future, a new horizon opened over which the rising sun promises more and more to disperse the choking mist. Debt figures henceforth not as a dead weight never to be cast off, but as a burden which may be removed within reasonable time. Prosperity has been placed within reach. The mere financial benefits conferred and further promised by this new Horn of Plenty are incalculable. Sir E. Mac-lagan did not do half justice to them in his saying already quoted. The mahajan may still lend much more than the

village bank ; but he feels the restraining grip upon his arm. And that same mint which in Germany alone places annually crores and crores of rupees at the disposal of deserving producers may be counted upon with certainty to have treasures of equal volume in store for deserving men in India. It is teaching them thrift and provident habits. It is showing them how of their hidden treasure, now absolutely sterile, they may make a steady source of income enriching not themselves only. For whatever is done in Co-operation benefits the whole surrounding area. Co-operation has taught these people to set up homes for themselves, and how to settle on the land. By enabling them to shake off shackles of debt it has given many freedom. And, under severe trial, such as was certainly not looked for when its foundation was laid, the new structure has given unmistakable proof of its financial solidity, surpassing in this respect institutions older and commonly considered stronger and better endowed than itself.

The new Credit Institution—by which, as Mr. Calvert, the Registrar for the Punjab, assures us that “no depositor has ever lost a pie, whether of principal or of interest,” and which, on the showing of Mr. Beatson-Bell, dealing specifically with the matter, has “weathered many a storm already ; it has weathered the crisis when the swadeshi banks failed ; it has weathered the crisis when the greatest war in history began ; in spite of this trial it is going strong”—indeed, as Sir Leslie Wilson remarked when opening the All India Registrars’ Congress in December, 1925, it has “grown stronger during the war”—and of which Mr. Mitra has testified that, “while withdrawals from the Post Office Savings Bank were fairly large, there was hardly any rush on the co-operative banks for deposits”—which fact, Mr. Mitra rightly urges, “speaks a good deal for the confidence of the public in the movement”—has indeed done a vast amount of good among the raiyats. And not among raiyats only. Those widely diffused cottage industries, which are the hope of the working population of the country, and which are saddled with so many difficulties, not the least of which are shortage of money and exploitation by the mahajan, have, on the showing of Mr. G. M. Gupta in his “Survey,” likewise profited by it not a little, more particularly the weavers of Benares, Solapur, and Madras. Among these

people, who need help badly, according to his account, Co-operative Credit has "done immense good."

But it has also taught our raiyats what is worth very much more than the money itself which it provides—that is, how to put that money to good, profitable use. Co-operative Credit, after all, is only a means to an end. The money itself profits nothing—or India would not be so poor with all its hidden hoards. The new stimulus which Co-operation has already imparted to interest in Agriculture, and in the improvement of Agriculture, is one of its best titles to recognition—one of its best earnestings of future public benefits. Raiyats are clamouring to be taught perfected Agriculture, and to receive the means for doing so. Co-operation is distributing improved implements, improved seeds, fertilisers, feeding-stuffs; it is teaching farmers to breed, to turn their milk to better account, to make more money out of their sugar-cane, to cultivate cotton to better effect, to extend irrigation. All this portends considerably more to be looked for in the future. "The spread of agricultural improvement in India is bound up with Co-operation to such an extent that the ever-increasing scope and popularity of Co-operative Societies is an infallible indication of agricultural improvement." So writes Sir J. McKenna, the Agricultural Adviser to the Government of India. "By means of these societies cheap capital is made available for the cultivators' current needs. Implements, manures, and seeds are being distributed through their agency, and organised bodies of agriculturists are being created which are more easily and successfully approached than isolated individuals. . . . In short, it may confidently be said that Co-operation and Agriculture working hand in hand have the field of India open to them, and the regeneration of a good part of agricultural India will be due to their work."

Improved Agriculture has forced attention upon the existing drawbacks—for instance, the terrible inconvenience of scattered holdings. Co-operation is now teaching Indians how to consolidate them. And it is labouring to make convenient and cheap mortgage credit practicable on the consolidated holdings. People are beginning to ask for a removal of impediments, towards which no agency in the world can in its turn be more helpful than Co-operation.

Say people what they will in favour of the development of Indian Industry—please God, that will come too—India is, and is bound to remain, in the main an agricultural country. Its vital nerve is Agriculture. And whatever promises materially to improve Agriculture—as Co-operation most plainly does—is bound also to prove a national benefit.

However, there will be not a few people who rate the ideal achievements of Co-operation, already plainly discernible in their firstfruits, even higher than the material. The great onus resting upon India—by the side of debt—is Ignorance and Illiteracy. Well, the same agency which has made of the German *Bauer* of bygone times, the beef-witted yokel poked fun at, an intelligent and presentable creature, is already now transforming the Indian raiyat. Nothing is more remarkable among the results of Co-operation in India than the unmistakable eagerness for acquiring instruction, already briefly referred to, that it has imparted to those who practise it. “Another remarkable effect it has had,” so writes Mr. B. A. Collins, in his Report—the tale will bear repeating—“is the demand it has created for Education. Wherever there is a co-operative society we find members anxious to educate their children, and we have now many instances where members freely contribute the maximum 10 per cent. allowed by the law from the profits of their society towards a school. We have several schools entirely financed by the societies.” And again: “The enthusiasm among the members of societies is most encouraging. A number of schools have been started by societies during the present year. . . . The arrangement usually made is that if the member contributes the *guru's* food and pays fees, the Registrar, under Section 34 of the Act, sanctions the diversion of 10 per cent. of the annual profits of the society towards his pay, and supports an application for a grant-in-aid.” “In many places the establishment of the societies has been followed by the opening of village schools. Contribution by societies to village schools is increasing every year.” So wrote Mr. Mitra from Bengal. “Education in Co-operation is leading them along fresh and broader paths of knowledge and of thought.” That comes from the Central Provinces. The tale is the same in all provinces. The Punjab, Madras, Bombay—Bombay is very active and has already at least 300 schoolboys’

societies, besides vernacular teaching—the United Provinces, in some villages of which, some years ago, societies already made their secretaries take members' children in hand for schooling several days a week—all chime in in the same key. "Co-operation has been," so says Baboo Moti Chand, "in the highest sense of the term, education both intellectual and moral. Where men are associated for business purposes they feel the need of education. . . . Illiteracy is a hindrance to the movement, and just as Co-operation leads to a demand for literacy, so literacy leads to a demand for Co-operation."

The co-operative *guru* and the co-operative *pathshala* are becoming recognised institutions. What a stimulus for Government to "go and do likewise"! The good effect produced is, however, not by any means limited to what we see in village *pathshalas* and in societies' contributions to *gurus'* feed and fees. Leaven of this kind once started works its way automatically in larger lumps. Evidently from what we read it must be concluded that the desire for learning has been awakened. It should certainly not be starved or stifled.

The effects of Co-operation already achieved have gone still farther than that. The "root cause," so it is often said, "of the dearth of village improvement so much complained of is 'the want of community life.'" In Lord Meston's words, "we hear often complaints of the decay of the old village community in Northern India, one of the most ancient and durable of sociological phenomena in the world. Modern influences have at length begun to sap it. It is gone." And there is the raiyat, once a member of a closely united and knit-together family, in which he never stood alone, but all gave one another mutual help, in Oliver Goldsmith's words, "remote, unfriended, solitary, slow"—slow of mind—become solitary as a social unit! The help that he gets from the mahajan has to be dearly paid for. And who knows but his neighbour of to-day, if he were to make a little money, may be his mahajan, oppressor, and bloodsucker of to-morrow? "Many efforts have been suggested to restore that communal life," so Lord Meston goes on—"the revival of the village *panchayat*, the bolstering-up of the *lambardar*, the encouragement of the *mukhya*, and so on. We have seen disappointing results from most of these attempts. But

in the Co-operative Movement we have a new cementing power. It unites the village community, or at least all the best elements in it, upon the old and only permanent basis of common interest and mutual aid."

And in this opinion Lord Meston does not stand alone. "Co-operative societies," so writes Mr. B. A. Collins, "have supplied to the village a bond which was badly needed. The old village community, with its excellent unifying fabric, has ceased to exist. With the introduction of a centralised form of government the old institutions died away, the illiterate and ignorant raiyats were left without any cohesion and they became selfish and individualistic in their habits. If there is one thing which can take the place of and supersede the old village *panchayat* system, it is the co-operative society. It combines all the unifying principles of the indigenous system with a much superior organisation for material and moral development. The qualities of self-help which societies call forth, and the training in the management of their own affairs which the conduct of a society affords, are invaluable from every point of view. The co-operative society has changed the entire environment of those who have the good fortune to be its members. It has supplied the intellectually starved people with a fund of good ideas. Where they were without a leader or a guide they have now no lack of sympathetic advice. . . . In the place of the blank despair they have now the full assurance of ultimate salvation."

Aye, that is the coping-stone. Not only has Co-operation brought the population material relief, not only has it greatly whetted their appetite for instruction. It has also raised their status, alike intellectual and moral. Under its influence, as Sir Robert Carlyle has rightly remarked, at one of the Conferences of Registrars, India is becoming "transformed." The population has begun to grasp higher ideals and to aim at realising them. The effect of Co-operation upon their litigious practices is one of the most promising indicia of its moralising effects. "I am personally aware," so writes Mr. Collins, "of numerous cases [*sc.* of litigation] settled amicably, which but for the restraining influence exercised by these societies would have been fought to the bitter end in the courts." Giving actual figures, the Registrar for Bombay Presidency, Mr.

Ewbank, reported no fewer than 752 cases referred to arbitration in the year 1916-17. He furthermore reported : " There has been a distinct growth in the spirit of mutual help and in the knowledge of all that Co-operation implies." This testimony is by no means singular. The same result is reported by other Registrars from other provinces. " The ideal objects of Co-operation are coming to be realised and appreciated." With the advent of such appreciation a good foundation may be said to have been laid for the hoped-for improvement of country life and the establishment of a modern substitute for the ancient Indian village community. It is the same tale everywhere throughout India. Co-operative Credit has, accordingly, thoroughly made good its position. " We no longer shake our heads about the suitability of the co-operative idea to the Indian population," said Sir Edward Maclagan at the Sixth Congress of Indian Registrars. And " Co-operation is now one of the most important branches of Government business." So spoke Lord Meston at the Eighth Congress in the United Provinces. " Its action has spread over the whole of the province, not only widely but deeply, and it has evoked a genuine, sincere, and slow-burning enthusiasm in the hearts of the people, which is the surest guarantee of its durability and success."

We have, in fact, the authority of one who knows the Indian native population well—that is, Canon Rivington, as quoted by Sir George Clarke, when Governor of Bombay—to the effect that " the Agricultural and Co-operative Departments had made a deeper impression on the life of the people than any of the other measures which the Government are engaged in promoting."

Surely Lord Meston was not wrong when he described Co-operation as " not only a great financial and economic, but also a great social force." Its promise is great. Do not let us grow impatient because the day of ultimate salvation is not as quick in coming as in our eagerness we should desire! It will surely come in its proper time. The firstfruits which we have thus far gathered in are certainly ample and fair and richly promising, and should reassure us, if we have entertained any doubts, as to ultimate success. I must confess that I look upon India as the country of countries to prove the value of Co-operation

In its national and social conditions, in the temperament and the necessities of its population, it possesses all the elements out of which to raise up good co-operative practice in exuberant plenty. "Slowly but steadily," once more to quote Mr. Mitra, "the Co-operative Movement is working out an economic revolution, the importance of which cannot be exaggerated. The gradual release of the masses from the thralldom of usury, the better use which the members now make of their credit facilities, the improvement of the indigenous system of money-lending, affording relief every year to an increasing number of people not directly connected with the movement, the inculcation of the principle of thrift and self-help, the check which the system imposes upon extravagance in social ceremonies, are some of the most direct and tangible results of the movement. Instances can be multiplied to indicate the indirect effects of the movement, how it promotes the moral and social improvement of the people, brings about a reformation of bad characters, creates a desire for education, encourages the settlement of village disputes by arbitration, discourages litigation, promotes a wider outlook on life, and makes village life healthier in all its relations."

Mr. Mitra knew what he was writing about. Here is his estimate of the value and the prospects of the movement, which appears to be ushering in a new era for India. I myself have no doubt as to the accuracy of his forecast.

## IV

### DISTINCTIVE FEATURES OF THE MOVEMENT

HAVING traced the genesis of the Co-operative Movement in India historically through its various stages, it may not be amiss to stop for a moment in order to inquire what it is that by such process we have created, as a matter, not of quantity, but of kind. Now, without taking undue credit to ourselves, we may conclude that we have produced a movement not only good in itself, but also marked off from other cognate movements by distinct features, which impart to it a character of its own.

Up to a certain point we have built up with material borrowed from elsewhere. It was, therefore, no more than natural that recruits to our idea, wishing to be helpful, should go to the quarries elsewhere from which we had hewed our stone, so as to collect, if possible, new blocks for the completion of the work begun. The consequence was that we had a whole volume of praises of foreign things placed before us, and the things so praised held up to us as models for imitation. Indians and Anglo-Indians went a-travelling to see things for themselves, and of course came home full of praises and admonitions to "go and do likewise." The wonders of Manchester and Glasgow came to be duly extolled, and Indians grew enthusiastic at the suggestion to bring the same wealth-producing machinery to the banks of the Ganges by adopting "Consumers' Co-operation" as the key of riches—when consumers' wants were in fact insignificant, and those substantial wages, which enable our British "well-paid artisans"—the late J. C. Gray's term for the members of the Co-operative Union, of which he was the able General Secretary—to make those large purchases, out of which the worshipped "divi" saved has built up all this splendour. A little

experience taught these "uninformed enthusiasts"—Lord Linlithgow's term for them—that out of nothing nothing can be got. Other "enthusiasts" scoured the European Continent, and on their return urged Indians to do as they had seen Germans and Italians do in their several countries—and Frenchmen in France, where money is poured out wholesale for the benefit of farmers—but where genuine Co-operation, which means enabling men to do things for themselves, does not grow in Agriculture in the same proportion. More careful study of what is done in Europe taught better instructed inquirers that, as Mr. M. Darling has shown in his excellent Report to the Punjab Government, of what he had seen, studying the question in Germany and Italy, in some things we are in India more truly co-operative than those whom we are invited to accept as our teachers.

In India we had to operate on quite untried, perfectly new ground, with features all its own, with no native guidance to lead us, no independent experience to teach us. The desire of the Government was that Co-operation should be adopted and widely practised, because experience had shown that Co-operation is good, and good more especially just for those ills and troubles which have for a long time weighed heavily upon the country. They had no goose of their own to fry, that is, no thought of buying votes by favouring distinct classes. They cherished no pet ideas of their own, because they had none. But they felt that they must take the matter in hand, because need cried for it, inasmuch as there was no one else to do it—no Charles Howorth of Rochdale memory, no Vansittart Neale, no Schulze, no Luzzatti. Oppressive, steadily growing debt, backwardness of Agriculture, and languishing of those varied cottage industries which mean so very much to India, lay heavily upon the land, stopping progress and preventing national well-being. This being so, the Government did the very best thing that under the circumstances it could do, in taking as good advice as it thought that it could get, putting its substance into practicable shape, according to its own knowledge of prevailing circumstances, laying down guiding principles to be consistently enforced, and seeking competent agents to carry out its plans. It wanted genuine, creative Co-operation, not a hot-house plant, artificially forced into unprofitable vegetation, to look pretty.

Well, with the help of its Registrars the Government has done its work, and the result is before us, genuine and original in its nature, bearing an impress distinctly of its own.

Now the first distinctive feature which, as appears to me, is worth calling attention to, is this, that in substance the Movement stands entirely upon its own feet. As the Provincial Government of the Central Provinces has laid it down in a formal Resolution of 14th July, 1922, the Movement is to be a "genuinely co-operative organisation, self-contained, self-governing as regards its internal affairs, and independent of money contributed by the general tax-payer." It is not to cost the country any money, but rather to bring in some, to become the source of new, well-acquired and well-distributed wealth, not a polypus or parasite to thrive for show on the substance contributed by others or a means of "safeguarding" a particular industry. That is, of course, what Co-operation in some other co-operative movements, as, for instance, in the British and the German *consumers'* movements, is like. But some other movements still freely held up as models for imitation show unmistakable marks of the presence of noxious alloys. Our Indian Movement has indeed come to require a little—very little—mother's milk in the shape of Government advances to set it upon its feet. However, those advances have for the most part been quickly paid off, and what remains at the present time amounts to no more than about 2 per cent. of the working funds, which 2 per cent. are likewise to be cleared off. Co-operation, deprived of fairy godmother's help, has shown that it really does better without it. For it has been found to breed character and a spirit of self-dependence—which means a great deal—and to become what it is in truth intended to be, that is, an independent source of wealth, a stock from which riches and prosperity grow by their own force. Being deprived of spoon-feeding it perforce had to begin with all the more effective encouragement of *Thrift*—that is, in the best way possible, by educating the savers for administration of their own savings, instead of allowing them to be kept in a state of tutelage by others.

There are still comparatively small sums advanced by the Government out of State funds. But that is for certain operations carried out in connection with Co-operation, but essentially different in character—such as housing, for which

all the world is agreed that extraneous help of this kind, being given in the shape of long-term advances, is absolutely indispensable.

Beyond this, not only is the Co-operative Movement not to live upon State subsidies ; it is also not, as soon as it has attained its maturity, to be in any wise State-governed. The Central Provinces Government's Resolution quoted tells this very plainly. The State had indeed to take the initiative in *creating* the Co-operative Movement. But, as the babe grows, it is to quit the nurse's arms. State officers have it impressed upon them, that they are to consider themselves no more than *temporary* guardians of a Movement, whose existence is not to be one under tutelage. When maturity is reached State supervision is to become strictly limited to watching over due observance of the requirements of the law and publication of correct accounts. That is precisely what is done to everybody's satisfaction in Great Britain, under the authority of the Chief Registrar of Friendly Societies.

Passing on to another distinctive feature, it is bound to strike one as remarkable, with what readiness Indian co-operators have in the matter of Credit bowed their neck contentedly under the old-fashioned form of liability, that is, the unlimited form. That means an undertaking of responsibility which helps greatly in cases of absence of means. Germans and Belgians have in the early days of their respective co-operative credit movements accepted the same form of liability as readily. But that was, because at that time no other form of liability was known. So far as they place their dependence upon shares, they have both by the present time for the most part wisely abandoned it. I take it as a matter of course that unlimited liability will be practised only under the Raiffeisen system, which absolutely requires it, but which also provides safeguards against its abuse. And Indian Governments have avowedly adopted the same view. For the purpose for which in the first instance Co-operation was resorted to in India the Raiffeisen system is by far the best suited. Hence the helpfulness of the Indian readiness to undertake its obligations. But what strikes one perhaps even more in this connection is, that by the side of acceptance of unlimited liability our Indians at the same time insist also very strongly upon the simultaneous issue of

shares, to be paid up in a given time. That is, of course, all to the good. However, unlimited liability was at first resorted to distinctly as a *substitute* for shares. Nevertheless our Indians will pay their own way. To make this the more practicable in their modest circumstances they have resorted to a variety of novel practices for making the payment less irksome. But cash down there is to be, no running away from the staking of the cash.

Next, there has been in the Indian Movement a surprising exhibition of elasticity and resourcefulness, such as no other country can boast of. India is a country of vast extent, with a bewildering multitude of varying peculiarities, both of human character and of local conditions, idiosyncrasies and topical circumstances, prevailing in it. There is no oneness to be met with in it of any kind. Climate, descent, historical experience—ever so many varying influences have been at work creating multiformity. Under no similar circumstances has that co-operation, which was raised in England and Germany, been put to the same test. There are castes—with partitions separating them still very markedly in the south—as low down as “depressed” and “unknowable” classes, for whom scarcely any possible teachers have been found except self-sacrificing missionaries. There are different races, with widely differing septs within them; there are religious differences—differences of law, of customs, differences cutting deep down in all conceivable relations, different wants, different habits, different likings, different ways of thinking and judging. Credit is a matter requiring payment of interest. However, the Mahomedan will not allow interest. Nevertheless there must be credit for the Moslem. So there is a very Babel of conditions. With rare resourcefulness have Indian Registrars known how to adapt the one fast-standing principle of *bonâ fide* Co-operation to all these widely differing conditions. That could, so I may once more remark, only happen under the system of propaganda actually adopted by the Indian Government, under which fixed principles are laid down, the observance of which is strictly watched over at headquarters, while the officers entrusted with the practical application locally are allowed a very free hand in applying them. That wide-ness of action affords a striking proof, in contrast with European narrowness—German pedantry, British one-form

Co-operation, French dependence upon State help—how *universally* applicable Co-operation is, and how readily it may, with resource and judgment, be adapted to any variety of circumstances. But it is a credit to those who have so variously applied it, to have found means of doing so with safety.

And that leads us on to a further characteristic, which is, to my mind, the most noteworthy of all. If Registrars have shown rare resource in adapting co-operative practice to a great variety of widely differing circumstances, the Government has been well advised in opening the field for action to *all different forms* of co-operative practice. Co-operation, rightly understood, is all one. It has it in its power to help every one who is weak, in *all* his undertakings. It can help the poor man to purchase his requirements good and cheap. It can assist the same man to earn his living, honestly and also independently, by his work. It can find money wherewith the rising Marconi or Eddison may, in spite of his poverty, convert his original idea into lucrative and beneficent practice. It can educate the child, train the technical worker, acquire land for the landless cultivator, build houses, safeguard and improve national health.

However elsewhere, how little is this many-sidedness of Co-operation understood! How common is it to proceed on the stockbroker's selfish principle of "running profits and cutting losses"—that is, avoiding temporary sacrifices, which are the stones with which great achievements for both individual and common good are raised up! Look at the "consumers'" movement! It has proved brilliantly successful. But how much that is excellent lies beyond it! To the eye of the human mammon the "Delectable Mountains" conceal the "Celestial City," which is the assumed goal of his pilgrimage. In one sense this movement, however beneficial in itself, is the most selfish of all. It would allow no other form. It denies the benefit, which in its own form it follows up with eagerness, to the agriculturist, the producer, the man with ideas, with will, with talent, but without money to carry them through to triumph. Elsewhere, in sober truth, we have scarcely anything but one-sided Co-operative "Movements," exclusive, treating others like "barbarians" or "gentiles." The consumer judges everybody by his own circumstances. He *has* his earnings.

He will not hear of the honest worker, whose ambition is to achieve independence and the full reward for his labour by Co-operation. Is Co-operation to be only the "well-paid labourer's" resource? How on earth is the Indian raiyat to become a co-operative consumer? When I asked the late Sir Thomas Brodrick, the General Secretary of the great Co-operative Wholesale Society, a thoroughly competent man, surely desirous to do his duty as a co-operator, just after his visit to India, whether he saw any prospect of the Wholesale Society helping Indians in the adoption of Consumers' Co-operation, he simply laughed at the idea; why, there was nothing to be done. There was no business to speak of. So the raiyat must be left unbenefited?

Indian Co-operation has freely opened its doors alike to all forms of Co-operation. It excludes none which is genuinely co-operative in principle. It is ready to begin at the very bottom of poverty. It helps the raiyat on his land and in his village. It offers its help freely to the cottage industrialist. It opens its cash-box as readily to whoever may stand in need of financial help and who can show to his co-operative society an approved good character and a favourable opportunity for earning. It is bringing back the lost treasure of "Indian Village Life" to the Indian village, setting men to work in common to carry out local improvements for the common good. It reclaims barren land, settles cultivators upon it, consolidates holdings. It is at open war with unsanitary conditions, labouring for public health. It suppresses litigation. And all in *one* movement, with *mutual* helpfulness.

And its hearty work for popular Education calls for special mention and special praise. There are other co-operative movements which likewise favour Education. The late Lord Reay has done justice by his praise to the French Agricultural Syndicates for spreading education. But that is *technical* education which means bread and butter for those who cultivate it. Our British Co-operative Union spends annually a full crôre and a half—it may be more by this time—on "Education," well directed—although sandwiched with "entertainments." But that, again, is education, technical, in the craft of Co-operation, and education to assist the growing co-operator to raise his own status by improved higher education at Universities and in its

own "Co-operative College"—excellent institution that it is.\*

In respect of *elementary* Education the work has indeed in Europe been mostly done. Our British co-operators are what Robert Lowe in his time spoke of as "our masters," whom, after the Reform Act of 1867, we "had to educate," and whom in fact we have long since educated, and educated to good effect. In Italy Wollemborg found among his Raiffeisen pupils quite illiterate peasants. He made them learn enough writing to be able to sign their own applications for loans. But that was all.

In India Co-operation has taught and has impelled the illiterate raiyat to wish earnestly and to ask for Education in its full sense. Education for its own sake. Urged by Co-operation, he eagerly desires to be educated. He wants to become a man of higher status. He may not realise all that that means. But the earnest desire is there. And it is a credit to the Indian co-operator. So, after seventy-three years of patient waiting, Co-operation promises to realise what Sir Charles Wood pleaded for in his famous "great despatch"

I think my contention will be generally accepted that Indian Co-operation has something to say for itself, that it has worked for the national good, with the field for its work, the variety of its services, and the prospect of its success steadily growing and extending, and that it may in truth boast to possess a character of its own, with a foundation laid, which distinguishes it, upon which it may be content to work upward, and which distinguishes it, not discredibly, from other National Co-operative Movements.

\* With regard to this point the *Co-operative News*, which is the recognised "organ" of the British Co-operative Movement, remarks in its issue of March 12th, 1927: "Unfortunately British co-operators are not greatly interested in the history of ideas. For each single student who is eager to learn something of the genesis of co-operation and the principles on which it rests, there are a thousand others who want to receive technical instruction; but although the majority are wise in their day and generation, inasmuch as they take the road that leads to high positions and big salaries, the movement would be all the stronger if it included more members whose minds are saturated with co-operative ideals and thought." Naturally so. That is the inevitable consequence of practically confining action to only one form of Co-operation and tabooing others. "Bread," we know, is the first necessary of life, and making it more acceptable to the masses by cheapening it is a distinctly meritorious service. But we have it on the highest of authorities that "man does not live by bread alone." And limiting co-operative action to the cheapening of "bread," to the neglect of higher services to humanity in the power of co-operation means a wilful repudiation of the professed high aim of that form of common action.

## V

### THE VILLAGE SOCIETY

FOR a considerable time to come the leading form which Co-operation may be counted upon to take in India is that of Credit. The preponderating portion of the population is that of the *raiyats*, who, with their small holdings, to which they are by sentiment firmly attached, and in view of their agricultural calling—which makes heavier calls upon their purses from year to year—stand in enduring need of a helping friendly hand. The large host of pliers of what are known as “Cottage Industries” likewise will want a small man’s banker to keep them in funds. And the remarkable progress which Co-operative Banking is making in what is known as its “urban” business forebodes an active business on rather higher industrial and commercial lines. Therefore it evidently is desirable that the principles of Co-operative Banking, which supplies the Credit generally stood in need of, should be carefully explained, so as to become well understood.

As it happens, Co-operative Banking is also the form of Co-operation which, being the most difficult to practise, calls most pressingly for explanation. The rules for other forms, to entitle them to the use of the name of “Co-operative,” are simple—treating common enterprises as enterprises of “persons,” not of “capitals,” with, accordingly, heads, and not shares, to determine the voting power, democratic administration, and a limit fixed for dividend due to capital—such are the main conditions to be fulfilled. The following two chapters accordingly will be devoted to an explanation of the principles which should govern Co-operative Credit Banking.

The task set to Co-operative Banking, so it may be well to recall to mind, is, in the words of Schulze Delitzsch, its

first apostle, "to procure capitals without a capital of guarantee," or, as the veteran French economist, recently passed away, M. F. Passy, has put it, to "procure credit for those who have no security in the shape of capital to offer in exchange."

That task, though at the outset presenting somewhat serious difficulties, was even in its early progress sensibly lightened to both Schulze and his Belgian and Italian disciples, d'Andrimont and Luzzatti, by the generally recognised call for Thrift, coupled with an absence, in the countries concerned, of suitable machinery for promoting such. It was upon that foundation that they all alike built up their systems, getting over the difficulty of the presence of "no capital of guarantee" by demanding the taking up of shares, which Schulze Delitzsch and d'Andrimont advisedly made very substantial, insisting upon the collection in this way of at any rate a moderate "capital of guarantee," in order that there might be a "tangible security to pledge"—although in point of amount that capital must for a long time still be trifling in comparison with the calls to be made upon it.

To Raiffeisen, on the other hand, the other "father" of Co-operative Banking, the problem stated presented itself in absolutely liberidant nakedness, and it was the problem of problems to him. His object was, indeed, to promote Thrift; but of necessity to promote it by slower progression—since in the field in which he was called upon to operate means were scantier—but above all things to bring aid, not specifically to Agriculture as a calling—although its reflex effect must infallibly be to do so, since those whom he had selected as his beneficiaries lived in the main by Agriculture, and were all of them in the end dependent upon the prosperity of Agriculture—but *to help the poor* in rural districts, to raise them out of misery and set them economically upon their feet in independence. That distinction of objects is essential in the comparison of the several systems, because as a matter of necessity it determined the choice of different means for the attainment of the object aimed at. Agriculture would be benefited by Raiffeisen's Co-operation, because only in rural districts were his distinctive methods practicable. But it was essentially *the poor*, as poor, to whom Raiffeisen sought to bring relief—the poor, op-

pressed and held in peonage by the German "Jews"—whether Israelite or professedly Christian—at that period fully as constrainingly as are the Indian raiyats now by their *mahajans* and *sáhukárs*. Accordingly, feeling his way step by step, and gradually adapting his method to his purpose, he shaped his system so as to make it fulfil above all things this one condition. He by no means desired to keep out the wealthy, and those supposed to be independent of credit, from his societies. Quite the reverse, he expressly invited them in. But he solicited them to come in, not to take, but to give; not as intending beneficiaries, but as intending benefactors and dispensers of the purest, the most beneficent kind of benefaction, benefiting those whom it was desired to assist, without demoralising them by gifts and patronage. The cardinal point, the pivot upon which his entire system was to turn, accordingly, must be, in the place of pledgeable capital, the enforcing of scrupulously careful discriminating selection of members and officers, and studied dividing down of responsibility, from the community to the unit, so as to ensure rigid compliance with duty. Raiffeisen did not ask what a man *had*. But he did ask what a man *was*, what he wanted his money for, and, having judged such employment to be justifiable, and the outlay promising, he took all care to make sure that to that employment and outlay alone the money would go.

• Now, obviously, this is an object which can have only a limited application. It is not an object which would, as indicating a boon to be received, necessarily appeal to wealthy zemindars and substantial farmers, be they ever so "agricultural," and also in need of working funds. But, manifestly, in India, with its millions of poverty-stricken and usury-ridden *raiya*ts, that application must be a large one, and on the ground upon which it is found suitable there can scarcely be any other. In Germany—and in Europe generally—the area to which the system may with confidence be applied is narrower. And the system is naturally irksome in some respects—it may be, painfully irksome to those who by reason of their possessions have easier means of satisfying their need at their disposal. The burden to be imposed cannot be lightened to the well-to-do benefactors coming in, because that would spoil the system.

There must be no distinction made between "patron" members and "benefiting" members, as there has been in some French and Belgian agricultural syndicates and as there still is in that host of Hungarian "co-operative" societies, of the brilliant results of which such a great show has been made, and so many tales are blared abroad. As members all members must be equal. And the wealthy man must shoulder his burden just like the poor, not only to avoid resentment, but also in order that he may be counted upon to contribute his full share to the common stock, in the shape, not of money, but of that which is to the society worth a good deal more—namely, his example, his guidance, the loan of the fruits of his experience, and the use of his credit, the last named to be carefully safeguarded by himself.

And not only was Raiffeisen's system designed as one specifically for the assistance of the poor; but it also differs from others in this, that it distinctly has an ideal, a religious aim in it, as well as an economic. It is to make men *better* men, under every aspect, as well as better off. And it has in practice richly shown its capacity for doing so. And not only are men under it to become more honest, more sober, more thrifty, better educated, more God-fearing; but they are also to become more brotherly, more mutually helpful, more bound together by close common ties. "Man-making," in Mr. Gladstone's sense,\* community-creating, it is to weld together the village into a sort of family, in which neighbourly feeling of a practical kind will prevail, neighbours willingly feeling with and helping one another and so calling into being something like a new and better world. "I have seen," so the Hungarian Deputy, Professor von Dobransky, wrote in his official Report, after visiting the Raiffeisen societies in Germany, in the course of an inquiry similar to that undertaken by Sir F. Nicholson, upon which he had been sent by his Government, "a new world, a world of brotherhood. It is a world of brotherly love and mutual help, where every one is the protector and assister of his neighbour. An isolated man here finds

\* "It is self-help which makes the man," so Mr. Gladstone in 1890 phoned to some promoters of provident action in America; "and man-making is the aim which the Almighty has everywhere impressed upon Creation. It is thrift by which self-help for the masses, dependent upon labour, is principally made effective. In them thrift is the symbol and the instrument of independence and liberty, indispensable conditions of permanent good."

himself transplanted into the bosom of a community whose resources multiply a hundredfold the productive power of its labour and crown it with success." The late Eugène Rostand, although a champion, rather, of a different system, has termed it "the happy combination of sound business spirit with the sentiment of a true, a practical philanthropy."\*

For India, with its recollections of its ancient "village community," that ought to be a suggestive and self-commending object-lesson.

Now the foundation of all Co-operative Credit is the local, therefore in rural areas the Village Society. The man to be benefited is the *raiyyat*, the cultivator, on his holding. Therefore the executive organ in the case, the hand to which falls the task of collecting and dealing out the money, must needs be in his own village at his own door. Need and Usury are the enemies to be vanquished. And "Usury cannot be fought otherwise than at close quarters," so says Léon Say. And there is no one to challenge his saying. Co-operation is above all things *decentralisation*—decentralisation of distribution. It centralises, or concentrates, in collection, so as to place its adherents on a level with the richer individuals by the command of more ample funds when the occasion for such arises. But its main office is decentralisation, thinning out the stream of the water collected, sending it in rills over a broad surface, so that irrigation may be perfect and reaching every root to be watered.

To the small man, help must be given in the shape most easily attainable, on the spot, where it is most useful, so that asking for it may involve no serious loss of time or of pains, that it may be given promptly, and subsequently watched over with ease, or it will be of no service. Give us good local service and we shall have good credit. Whatever else is organised is created only to *assist* the local society. The bird coveted wants to be in the hand, not in the bush. Accordingly Co-operation, like charity, will have to begin at a man's own home.

Apart from this, the governing principle of Co-operation is—to employ a phrase which of late has acquired general currency, "self-determination"—self-determination by the

\* "C'est l'heureuse union de l'esprit d'affaires avec les sentimens d'une véritable, d'une pratique philanthropie."

persons engaging in it and to be benefited by it, its own members determining for themselves what responsibility they will take upon themselves, what they will have and what not, and what they will do and what not.

Attention cannot too frequently be called to the fact that Co-operative Credit does not stand on a par with commercial credit, in which there necessarily are two parties with opposing interests, which interests have in some way to be harmonised and reconciled—a lending party and a borrowing party. In the co-operative society lenders and borrowers are united collectively into one. Hence in it ordinary banking methods can be of only partial application. From all this it plainly follows that, even on purely economic and financial grounds, the pivot on which Co-operation turns, the foundation upon which it is set up, will have to be the local society.

However, the Co-operative Society is more than a shop. It has more to think of than purely economic and financial aims. It is, indeed, to provide material commodities for those who join in it—in the present case that will be Credit. But it is to do much more besides. People often enough lose sight of this. Nevertheless, whatever be the peculiar form given to Co-operation, in its ultimate aim it always remains the same educating and building-up force, with ideal ends in view. Without such it could not retain its beneficent character, but would become degraded to mere collaboration for egotistical ends, such as leave the persons profiting by it not better, but distinctly worse for its achievements—more selfish, more unneighbourly, less solicitous for their own raising, of no more service to their neighbours or the community.

Co-operation is to be the *educator of the poor*—not merely by means of a *guru*, paid, it may be, and appointed to teach the children reading, writing, and arithmetic, but educating in itself, by bringing persons into closer contact with common objects in view, interested in the same common working, buying, selling—and therefore thinking together. For people who work, buy and sell together are sure also to think together and thereby, by means of mutual contact and exchange of thought, to become educated. The mere common business, of itself, conducted on co-operative lines, educates, certainly economically. And one main aim of

Co-operation is to train unbusinesslike people to business-like habits, and to a knowledge of the principles and the conduct of business, in order that they may be enabled to look after and manage their own affairs and become provident and thrifty, able to calculate in their doings what brings gain and what loss, and, in Mr. Gladstone's sense, to make themselves into "men."

Now none of all this can be done wholesale, by large centralised organisations with a widely dispersed membership and a directorate having to do only with goods, not with men. Like the dispensation of Credit, such teaching has to begin at the beneficiary's own hearth, within his easiest possible reach. Wherever we look—in England, in the United States, in Canada, in Germany, in Denmark—and whatever the subject may be on which instruction is to be given to the less instructed—I am now referring more particularly to cases of instruction in Agriculture—it is the man of education who can *go up to the person to be instructed*, buttonhole him, and enter into private and familiar conversation with him, without restraint or etiquette, who succeeds best in his educational work. In Germany, where there is no chariness in regard to educational work, such as we have sometimes to complain of under the Union Jack, it is the itinerant lecturer who gathers new members into the co-operative fold and makes better cultivators of them. In Canada it is the "county representative"; in the United States the "county agent"—the number of which officers is now in both countries being largely increased—who does the teaching (in the service of Agriculture) to best effect. In England we have not long ago had a Departmental Inquiry upon Agricultural Education. And in that inquiry it came out, in such evidence as that of Mr. Fitzherbert Brockholes, an agriculturist of authority in the generally advanced county of Lancashire, that even there, where knowledge and thought are asserted to be in advance of what they are in the rest of England, it is the instructor who speaks to the small husbandman privately, on his own small holding, driving knowledge home by reference to the small husbandman's own work, who achieves the best results. In Sweden, Denmark, Switzerland, and parts of Germany, it is the "Control Society," or else "Control Committee" of a more comprehensive Co-operative Society, acting as

an adviser in private on all things interesting the small husbandman, which performs such office. In France, by the side of the emissary of the Agricultural Syndicate—whose brother-emissary of a corresponding body is equally busy in Italy—it is the Departmental Director of Agriculture, accessible to all, who renders similar service, instructing in detail and on the spot. And in the Netherlands Agriculture would not willingly forgo the services of the *zuivelconsulent* and the *fokkingconsulent*, appointed and paid by Government as an adviser and controller, who speaks to Tom, Dick, and Harry as individuals. Everywhere it is the “mouth to mouth” (στόμα πρὸς στόμα) teacher who makes the greatest impression. Our active missionaries of various creeds, working fruitfully among the aborigines, have doubtless similar tales to tell.

We could not, in India, in view of its enormous extension and its teeming population, hope to provide a staff of qualified teachers ample enough in number to rival those European and American educational agencies. Besides, these men teach Agriculture, and only incidentally, if at all, Co-operation—by precept as by practice. All the more, accordingly, do we need the educating services of judiciously applied Co-operation in societies—and not for educational purposes only, but for uniting, sympathetically connecting purposes, which promote common interest and strengthen each man's individual efforts by combining them with the efforts of others. And it is one of the great merits of practical Co-operation that more or less in every shape, but peculiarly so in the shape of the organisation which Raiffeisen gave it, it makes of its members, in M. Luzzatti's words, *una famiglia onesta e laboriosa* (an honest and industrious family).

Now, knowing all this, and being, so to put it, brought up in an atmosphere of genuine Co-operation, one feels one's breath just a little taken away on reading the following description of Co-operation “as it should be,” in a textbook offered to Indian readers by a gentleman in authority :

“The correct view of our organisation is that of an Army with its General (the Governor of the Federation), its Staff (the Federation Congress), its Corps Commanders (the Directorates of the Central Banks), its Regimental Colonels (the Committees of the Unions of Primary Societies).

Without a plan of campaign, without discipline and without a responsible and guiding head, an army would be nothing but a disorderly mob, futile as a fighting machine. Without a definite policy, without co-ordination of effort, and without a liberal allowance of unselfishness, our co-operative system would be futile as a machine for the promotion of the economic welfare of the Province."

Why, that is Co-operation turned completely topsy-turvy, a structure inverted, with that put at the top which ought to be at the bottom ! It means degrading a great educational and emancipating movement, created to imbue people with principles of self-reliance and teaching them the way to self-help, to a mere distributing agency for assistance from outside, which makes them more dependent than they were before on the thought, the judgment and the money of others ! You can never establish sound Co-operation in India on such lines. Even in England the late Lord Winchilsea failed in trying something of the same kind—building, that is, from the top to the bottom—in his ill-fated "National Agricultural Union," which came to grief quickly, losing its shareholders something like a lakh of rupees—whereas Sir Horace Plunkett's movement, built up, about the same time, in a workman-like way, from the bottom to the top, succeeded well and has stood the test of time and become a model for the English-speaking world. A large movement in imitation of it, bearing the same name with the prefix "American," is now in progress in the United States.

We smile on hearing the tale of the ancient Greek citizen who had a house to sell, and who, when asked for particulars about it by an intending purchaser, sent him a brick as a sample of the material of which the house was built. But there is not a little sense in such action. For it is only good bricks which will make a good solid house. Lay a firm foundation of sound material, and you will be able to build a house that will stand. The clever rider on the back of a horse can make that animal more useful, put more nimbleness into its limbs, enhance the effect of its strength ; but he can never with his mere horsemanship replace the animal's "timber" and muscle. Just the same is the relation between the Central Organisation guiding and the local producing. We may set a temporary roof

of boards and tarpaulin above a house in building, to shelter the rising walls from wet and storm—and that has practically had to be done in India, to shelter gradually uprising Co-operative Credit under a temporary roof of official control and centralised supervision. But in such building it is all along understood that that provisional shelter roof, which could never stand the test of wear and weather long, is simply for temporary use and will in due course be made to give place to a more durable fabric resting, not on the after all only fragile make-shift scaffolding, but on good solid brick walls, reared up of sound material, which of itself provides a sure foundation.

Whatever we do, do not let us spoil the chance of Indian Co-operation, greatly needed as it is, by beginning at the wrong end! Aristophanes could in his comedy set up an imaginary city upon "clouds." But we, who propose to build on Earth, shall have to pay regard to the well-ascertained laws of gravitation. It is the good foundation which makes the secure structure. It is the local society, the row of bricks in the bottom layer, upon which the intended fabric is to rest, which makes the safety of the organisation.

Those upper organisations, which our author quoted has made the master, are in reality designed as the servants of the real working parts. They are, so to speak, the wholesale house which provides the goods for the local dealer, but which can impossibly direct his local business.

The Education by Co-operation that we are "after," wonderfully effective as it is when allowed free play, is quite necessarily limited to small, local organisations. In a large society, possibly very ably officered, the very fact of its being so officered destroys its educational potency. There are no pupils there for the fully trained teachers who manage, but do not teach. The member is there not called upon to think for himself. He has the thinking done for him. It is in the *small* society, where simple minds are taught and compelled in a simple way to do the thinking for themselves, to tackle the daily problems, and form their own ambitions and aims, that Co-operation becomes educating. And its educational efficacy under such circumstances is truly remarkable. We see something of this in our British distributive societies. You see very much more in the Co-operative Credit societies among rural folk on the

Continent. For Credit is of all the most educative form of Co-operation. So it has been found to be in France and in Italy. In Germany a veritable transformation of beef-witted and not over-conscientious *bauers* has been brought about by that wonder-working agency, into a higher class of being—apart from war-time. Universities have their great uses. However, the moral and intellectual standard of a population depends upon its primary schools. And our primary school in Co-operation is to be found in our village society.

The upper parts of the building, which our author quoted has made the master, are, as observed, in reality designed to be the servants of the lower, not to direct, but to facilitate the others' work, which must in any case be the main work accomplished—provide them with the means for doing their business more cheaply or more effectively—just as the Co-operative Wholesale Society in Great Britain was designed to serve the local societies with the supply of goods more cheaply purchased in large quantity. The parallel is indeed not absolutely complete. For there is this difference, which greatly strengthens my point here urged, namely, that, whereas in Supply or Distribution the only point to be taken into account is the creation of bulk—the actual article bought in large quantities being alike in any case—in Credit every single case of decentralised dealing calls for special and separate consideration, so that, although you require "bulk" for the wholesale acquisition of your commodity—which is money—the retail dealing out must throughout stand upon its own merits in each several case. You cannot deal out Credit as you deal out dry goods or hardware, simply deliver across the counter, without asking any questions. On the other hand, in a skilful retailer's hands, who can distinguish between cases, the commodity first purchased in bulk is capable of doing a vastly greater amount of good than the tea and sugar dealt out in a local store.

In India, no doubt, the problem to be dealt with presents special difficulties. Well, *ardua quæ pulchra*. Germany may be said to have proved almost ideal ground for the practice. For Germany is the country in which—barring Switzerland and Denmark,\* both of which scarcely stood in

\* Denmark has only lately begun to organise Co-operative Credit Societies.  
C.I.

need of rural credit societies, their credit wants being already sufficiently provided for—the schoolmaster has for the longest time “been abroad.” The educational status of the rural population may be said—at any rate in the districts in which Co-operative Credit was first introduced—to have been fairly passable. In any case there was no difficulty about securing the services of competent chairmen and cashier-secretaries. And there was little illiteracy, if any. Moreover, thanks to the division of the soil—which was not all in the hands of uncultured men—there was more or less everywhere some man of at any rate moderate capitalist value to sponsor the society. And communications were fairly easy. Roads were manageable. Towns were everywhere within reach and readily accessible. Postal communications were good. Add to this that banking was generally undeveloped and therefore co-operative banks came as a godsend, and you will have to admit that conditions are favourable.

In India scarcely anything of all this applies. We have the proof in the experience thus far collected. Where 90 per cent. of the male population (99 of the female) are illiterate—as the last census shows—you cannot expect to find men capable of doing the correspondence and keeping accounts in every village—although one late Registrar, who knew his province well, has in a pamphlet published declared the Hindoos endowed with a peculiar natural predisposition for account-keeping. To make up for the want complained of, some Registrars have had recourse to “group secretaries,” not necessarily being members of the several societies for which they act, and doing the “job” of account-keeping mechanically, without personal interest of their own, for an entire “group” of societies. That, so it should be observed, is not by any means an ideal arrangement. It has, indeed, as a recent inquiry instituted in the United Provinces makes clear, led to very gross abuses. Furthermore, there has been plenty of evidence of insufficient qualification of the *panches*, more especially the *sirpanches*—men who appear in many cases to have thought only of themselves, how they might turn the disposable funds to account for their own use, without very strict regard for the terms of repayment, whereas the bulk of members appear to have been found generally quite unequal to the task which it is essential that

they should perform—the task of vigilantly checking the *panches*. Nowhere, so it appears, has it been possible to form that body which every Co-operative Credit society in Germany, France, Italy, Belgium, Austria or Switzerland has found essential for the well-being of a society, that is, a Council of Inspection or Supervision, to keep the Committee or *panch* under control.

Under such conditions it is evident that for a long time to come local societies in India will have to be kept in a position of tutelage under official “guardians.” And, desirable as emancipation is, better in all cases is a long tutelage with good results than premature manumission in a state of immaturity.

However, the greater is the need of tutelage and education, the more pronounced is the necessity of the small society being trained to self-management as an educating agency. We are indeed under present circumstances placed in something of a dilemma between two evils. One great hindrance to all the progress that might be desired is this, that the people of India, for whom Co-operative Credit is intended, do not generally yet understand what is meant by “Co-operative Credit.” They have been so used to paternal State care and *takavi* advances that—especially since, after all, money *is* advanced by the State, and Credit *is* administered under the control of officers of the State—this new Credit appears to them only as an old friend with a new face, a matter of advances paternally doled out by the Government, made outwardly conditional, for some undiscernible reason or other, upon the fulfilment of certain forms and duties by the beneficiaries, but not really a self-reliant, self-directed institution. That opinion is all the more likely to be entertained, to the prejudice of the movement, at any rate in the long run, the more clamour there is set up for further State interference in the shape of summary procedure and exemption from civil process. And the interest which it is rightly desired that Revenue and Settlement Officers and other officials should show in the work of societies is likely to confirm such false impression.

It is not only incapacity to keep accounts and to write and read which stands in the way of a wide extension of Co-operative Credit. Disqualification goes farther. The native mind has evidently not yet grasped the true object

of the Credit introduced. Now the best way to teach people what their own responsibility, pledged by Co-operation—which is the root principle of the whole institution—means, is, seriously to place them upon that responsibility, even at the risk of the incurrence of a casual loss. You cannot really learn to swim without actually being dropped into the water. A man pulling you along while you float with the help of air-bladders will not teach you. However, the risk so to be run we cannot at present quite expect our men to face. It might fall too heavily upon those pioneers who would have to bear the loss resulting. And it would be sure to damage the movement and destroy confidence in it if any serious loss were to result. Nevertheless, whatever is done—and we know from what has happened in this connection in Egypt that too much befathering, however benevolently it may be intended and exercised, leads to mischief—the lesson first, though not in point of time yet in point of importance, and most necessary to be taught to designed beneficiaries, is that these new institutions are *co-operative* institutions, intended for the good of their members alone, to be eventually managed by those members only, in perfect freedom, under the restraint only of full responsibility; and that, as soon as they will be qualified to carry on the work, the State will have nothing more to do with them in the matter, either for good or for evil, except to see that the precepts of the law are obeyed and that the statements of accounts published are actuarially correct. And all this is only to be taught in a local society.

Evidently what is wanted on this lowest grade of Organisation is tuition. In Germany that was a comparatively easy task. There was generally in every village some one capable of giving a lead. Indeed, so comparatively favourable were conditions that Raiffeisen might make bold to tell his disciples that if in any place only a suitable chairman were found, and a reliable secretary, the two might begin business forthwith, looking for others to drop in as they went on. That would scarcely do in India. Besides, where is the money to come from? In reality even in Germany things were not done quite in the simple way sketched. Raiffeisen got a little society together, for which he provided some money to start with, by contributing a portion himself and begging the rest from his friends—just as did

M. Luzzatti in the case of his firstling bank, at Milan, for which he scraped Rs. 420 together, he himself subscribing Rs. 60, which made him, in his own words, "the Croesus of the group." Services rendered, even by the cashier, were of course at the outset made entirely gratuitous. Payment of cashier-secretaries, on a very moderate scale, was introduced later. In Italy literate workers were almost as scarce thirty-six years ago as they now are in India. Accordingly at the outset volunteer philanthropists had to help. Dr. Wollemborg, a wealthy man, financed his firstling society at Loreggia with an advance of about Rs. 1,200. For want of some one else to do the work, his brother had to give his services as unsalaried secretary-cashier. At Metzels, in Germany, a place without any wealthy "patron" to assist, I found the pastor leading the society, instructing its members and providing the Rs. 375 required for the acquisition of a share in the Central Bank, which justified its opening a credit account sufficient for its purposes to the little society. The latter, in spite of the poverty of its members, distinctly developed so as to flourish and to do much good.

If members in India can only be made to understand the nature of such society, it is to be anticipated that the defects of incapacity and illiteracy, now so greatly complained of, will soon come to be sufficiently planed away to allow of good progress. A man may be led to learn good business, punctuality in payment and vigilance in checking others, without becoming a scribe and a scholar. Such things, under proper guidance, teach themselves. Italy is not so very much less illiterate than India. And the business understanding of the cultivating class there is very primitive. Yet these people have, without much reading, become very competent co-operators and punctual and honest repayers.

People talk of Education. In the Raiffeisen societies of Italy it is made a standing rule that no one is to be admitted as member who cannot at any rate sign his name on the application form for membership with his own hand. And as a consequence you find grandfathers learning to write from their grandchildren. I have seen these men in Italy, simple illiterate peasants. I have been shown their early handwriting in straggling, uncouth, roughly drawn characters. However, these men had learnt to help in managing their society and had done very well for themselves

with its assistance. Illiteracy is not necessarily a barrier to judicious management of affairs and I would not have the illiterates who know about their neighbours and know how to lay out rupees despised or crowded out of the management on account of their illiteracy. What in this case I assume that they know is worth more for business purposes than what they do not know

You learn society management best by helping to manage—as the French proverb says that you become an expert blacksmith by doing blacksmith's work. It is a large order in India to provide volunteer helpers who will sit at the *panchayet* table and explain matters, to show *panches* how to make entries and to keep correct accounts. And there is also some danger in this, if not quite rightly done. For it tends to prolong tutelage and to leave the sense of responsibility undeveloped. Therefore the admonitions addressed by local Governments to their officers to attend in their official capacity, and the right stipulated for them to moot any subject they please at any time, are not above questioning. And the man who, consenting to make the sacrifice, comes only at irregular intervals on flying visits, now and then, just to attend a *panchayet* meeting, will not do half the good that requires to be done. What is wanted is a "guide, philosopher, and friend" in the vicinity, to watch over the society, keep in touch with its members, above all with the managing officers, to give his advice here, there, and everywhere, without ever becoming dictatorial. Such a man is sure to become a veritable treasure to his society. That being done in skeleton cadres is likely to act as leaven on the immense lump to be impregnated, spreading and diffusing its influence abroad. The mere making of the "co-operative" character of the institution understood in its practical management is about the best education that could be supplied.

The difficulty of account-keeping may be got over. The practice of having balance-sheets sent up to headquarters for examination, which has become a standing and a very prominent feature in Raiffeisen Co-operation, was in the Raiffeisen Union in truth first taken up because local societies were in many cases found not to know how to draw up the balance-sheets for themselves. The practice was retained, because it was found to possess other advantages

besides. It constitutes what is called a "super-revision," that is, "super-inspection." But its original object was to get the balance-sheets properly drawn up, so as to afford trustworthy guides for checking, where local managers were not competent to do this. In the Haas Union Dr. Havenstein, a very able man of business and a sound co-operator, in the same Rhineland, adopted a different plan. He formed a separate office section which does nothing but put accounts and balance-sheets into proper form for unripe societies. It does not audit; it does not inspect. It simply asks for the materials for the accounts, which it puts into proper shape. And in doing this, it teaches societies after a time to do it for themselves, so that its services are in each case only temporary. In the United States the Federal Department of Agriculture, being keen upon businesslike practice, has adopted a rather different method still, with the same object in view, although not as applying specifically to Co-operation. Its operating agency is a distinct section in the Department, known as the "Office of Farm Management," formed to show cultivators by the light of their accounts, which it frames for them on the strength of information supplied by themselves, which branches of their farming pay and which do not. That is to lead them to farm, not by routine, but "for profit."

All this may be done at headquarters. But the main part of the business, the taking of money, the lending out of the same, the watching over its employment, the enforcement of recovery and the employment of idle balances, can be done only by the society itself, and, having to do it—though it may have to be for a considerable time under tutelage and tuition—will be the very best schooling for its members, the most effective way of teaching them and making them understand what "Co-operative Credit" means.

Under this aspect obviously the placing of too much power and discretion in the hands of what are called "Central Banks" distinctly militates against good co-operative practice. There must be supervision, control, leading-strings. However, those leading-strings ought to be held with a light hand. They do not want to be tightened, as there now appears a disposition to do, but, on the contrary, gradually relaxed, so that by being made to think that

they are doing things for themselves members may be gradually taught to do so. It will have to be constantly borne in mind that the object of the tuition now given is to produce, not credit so much as *co-operators—who will be able to work the credit for themselves.*

Very rightly has the Government of the United Provinces quite recently decided, in consequence of unsatisfactory results shown, that the task of "inspection" of local societies' business shall be taken from Central Banks and entrusted to a "Union" corresponding to the institution of a *Revisionsverband*, without which no German Co-operative Movement will allow any banking organisation to continue.

Apart from over-interference prejudicing the work of the local society and really unfitting it for its main task, committal of the actual local work to the distant "Central Bank" involves risk, and tends to the intrusion of that very noxious bane of credit business, mechanical handling by rote and reliance upon (under the circumstances) improper security, such as the possessions catalogued in the *haissiyat*. The *haissiyat* may be a good servant, but it is a bad master. And in a village society it is, as a test of what has been termed "credit-worthiness," really out of place. The borrower is to receive his loan because he is known to the managers of his society, who are his neighbours, as an honourable and honest man, who has an outlay in prospect appropriate to his position and promising to repay itself with interest out of its own proceeds. Such questions are not to be determined by the amount of the property that he owns. Nobody also can judge, either of his character or of his opportunities, so well as his own neighbours. Nobody can keep watch over his mode of life—which, if good, distinctly is an element of security—and even his outlay of the money borrowed, and bring influence to bear upon him for punctual repayment of his kists, so effectually as his neighbours. The distant "Central Bank"—which it has been wrongly proposed in more quarters than one to make the "pivot" of the system, the arbiter of Credit—however carefully it may collect local information for the purpose, is at a distinct disadvantage, which necessarily means risk and prejudicial curtailment of the services to be rendered, a retrenching of the flow of business, too meagre a supply of loans. On the other hand, nothing awakens the sense of responsibility so much

as practice in such administrative work. Nothing steels to vigilance, to strictness, to careful insistence upon complete fulfilment of duties undertaken better than responsibility for the practice of the economic virtues. I have quoted elsewhere what quite illiterate Italians (who proved good enough co-operators) have said about this, under the operation of unlimited liability, which is the very best stimulus to watchfulness under this aspect. "We are a hundred persons who watch one another like spies (but without any offensiveness; quite the reverse). It is not possible that any one of us should fail in his duty." \*

Rome was, proverbially, not built in a day. And it may take a long time to bring up Indian local credit societies to the point here placed before them as a goal to be made for. However, that goal should be kept steadily in view and worked up to. If we cannot—which for the moment seems an established fact—have the Raiffeisen and Schulze Delitzsch "Supervising Council," we shall want to have a substitute, or the society will be wanting in efficiency. The "Central Bank" is no substitute. The local society ought to be made the corner-stone, the guarantee of strength, of the fabric and to be set at work at that, which is the most urgent point of the entire problem: the education of its own members.

Now, having postulated the local society as a beginning, we may proceed to its description. The local society, as has been said, ought to be small, and to have a clearly defined, narrowly circumscribed area, without which condition being fulfilled there could be no close touch nor intimate knowledge of one another among members, which is the main safeguard under Raiffeisen principles. Also, of course, it must confine its granting of credit to its own members only. In India there seems to be at present a disposition to overdo the restriction in respect of size and district, which may become a hindrance to progress. One Registrar has gone so far as to declare that he will not tolerate societies of more than 25 members, and if there should be more people in a village anxious to join, he will insist upon there being correspondingly more societies formed. That is a mistake. Raiffeisen prescribed smallness, not as an advan-

\* "Semo in cento che se femo la spia un con l'altro, onde impossibile che nessun faccia un bruta parte."

tage in itself, but as an indispensable condition for the attainment of a well-understood end: close touch and intimate mutual knowledge. Otherwise smallness is not a benefit but rather a hindrance. A small society necessarily means small power for work, and proportionally greater expense for necessary outgoings, and a heavier toll upon each member, if any loss by default should occur. It also means greater risk in the event of resignations or deaths, such as we have actually had. For one Registrar some time back reported that in one of the societies in his province out of 25 members no fewer than 23 had been carried away by an epidemic in the course of a year. And having several societies in the village means, apart from a dissipation of force so wasted, possible rivalry, jealousy—it may be even underbidding, such as we have seen practised in Germany, between rival systems. In India, where there are castes, and *patti* divisions besides, it may be necessary, human nature being what it is, to maintain distinct societies side by side for distinct castes—let us hope not in serious antagonism to one another. But this is an evil to be kept at its lowest possible point, not a feature to be deliberately made a rule of.

I have shown how Raiffeisen and Haas societies existing side by side, although being shoots from the same stock, compete injuriously with one another. Haas co-operators complain that they cannot insist upon fairly large shares, such as their Central Administration recommends, because the Raiffeisen societies, working by their side, considering shares unnecessary, cut theirs down to the minimum insisted upon by a semi-hostile law. Let in the evil of undercutting, and you cannot fail to destroy safeguarding against risk, which is the very first duty incumbent upon Co-operative Credit organisations. "More than one society in one village," so wrote some time ago Sir Atul Chandra Chatterjee, who certainly can claim to have experience in practical Co-operative Credit banking, "crystallises party feeling." All that is really required in the matter of smallness is that there should be sufficient opportunity for supervision and trustworthy knowledge. Raiffeisen's societies after a time came to discern the mistake that in some places they had made in keeping their local organisations needlessly small. I ventured to point this out to their chiefs some thirty or forty years ago, and they admitted that there was *quid nimis* in

that, and have since permitted societies to form in larger areas, provided that the essential condition of sufficient contiguity is secured. Even at that time both area and membership had already been in a few cases in some measure extended without bad results. I then visited a society located on territory known to me, whose district embraced contiguous portions of three distinct parishes. And one particularly competent man had, as a quite exceptional case, organised a society extending over no fewer than five parishes, in one of the most populous parts of Saxony. Accordingly : do not overdo smallness !

Whatever be the number of members, it is important that, in the first place, they should be admitted for their moral qualities, as being honest, and, in the second, that, wherever liability is unlimited, the society should be assured that each member belongs to that one society only. If it should be otherwise, if he should be a member also elsewhere, the measure of the value of the member's liability must at the very least become seriously reduced. Being thus based upon the moral worth of its members, their honesty and trustworthiness, societies will above all things have to avoid acting upon the principle of "the more, the merrier," going touting for members, as I have seen it advised by ignorant would-be organisers in England. Members are no doubt necessary ; but worth is indispensable.

The mechanism of the local credit society is simple. In essence it is the same throughout, whatever be the system and whatever the form adopted. The governing idea is that the society and its business are the members' collectively. And the members collectively want to be interested in it as much as is possible. For it is interest which evokes vigilance and creates control, and it is vigilance and active control that above all things are wanted. That alone is a conclusive argument in favour of publicity of proceedings—the publicity, of which Sir Robert Morier insisted upon having the "maximum," as a safeguard of good management. Publicity is of double value where illiteracy has to be contended with. For it distinctly helps to make the illiterate, who may be otherwise useful members—as possessing a knowledge of their neighbours' position—also useful administrators. In the absence of any literate power it is publicity which can make them useful. We know that one great

abuse in India is that *panches* keep not only information, but also money, all to themselves. For such abuse publicity is the one effective corrective. Even an illiterate member, when he is given a knowledge of the facts, may effectively watch over the *panches* and, even though he can neither write nor read, his self-interest will prod him to do his part by the society.

There must be a *panchayet*, of course, since members collectively cannot transact the current business of the society. The idea is that, since members act in the main collectively, there should be an elective body nominated by the members themselves, from among themselves, to administer the business of the society under their collective authority and general supervision, with an annual—if not a more frequent one—rendering of accounts for all things, acting like the “Board” of a Joint-Stock Company giving an account of its stewardship to its shareholders. That “Board” is generally among ourselves spoken of as “Council of Supervision.” That is the German term for what in a joint-stock company we call “Board.” And in this application it in truth conveys a very good idea of the duties which in actual practice this body is called upon to perform. As originally conceived, and as actually accepted, both in Germany and in Italy—and in Germany established as a governing principle by the law in force—the Council of Supervision was between one General Meeting of Members, and another—the General Meeting being in all things supreme—to act as master of the society, exercising delegated authority on behalf of the collective body of members. It could not, of course, personally transact all the current business of the society. Its size would incapacitate it for that. For it was to be large, in order to exercise the greater authority and to be the less amenable to undue influence from individuals. And it could not be expected to meet with sufficient frequency to deal with the required promptitude with the current wants of the society. Accordingly it must have an Executive Committee under it, such as in India goes by the name of *panchayet*, to take charge of the current business. However, that Committee must in some respects remain under it, subject to its authority and supervision—hence the name which in English I have chosen for it (which is a literal translation of the German)—say, in

the same way that a Commander of a Field Force is subject to the authority of the War Office, which must not, indeed, presume to usurp his functions, but which nominates, and may rebuke, reprimand, and in case of need discharge or cashier him.

The Council of Supervision in fact is endowed with precisely the same prerogatives. But in practice it uses the fargoing ones only in very rare and quite exceptional cases. It is, of course, conceivable that a member of the Executive Committee—a "Director," so to call him—might show himself so criminous and dangerous to the society that the Council might feel called upon, as an emergency measure, to interfere and deprive him of executive power or dismiss him—subject to confirmation by a General Meeting. However, as an actual occurrence that contingency may pretty well be left out of account. The reviewing and supervising functions of the Council, however, are fully in force, and very much valued as a safeguard for members.

From a practical point of view, then, the *panchayat* will always be the administering body in the society, not only the first to attract attention, but also that upon whose action the success or non-success of the society will for the most part depend. That is bound to be so more particularly in India, where there is as yet no Council of Supervision, nor any immediate prospect of such being formed, and the *panchayat* accordingly represents really the whole administrative machinery provided. The sooner, however, the Council of Supervision can be added to the administrative machinery, the better will it be. All the greater will, in the meantime, have to be the care with which the members of the *panchayat* are elected. They are trustees for the society, its attorneys, authorised to pledge all its liability, making it answerable for their acts; and in consequence they will have to be chosen with particular scrutiny of qualifications and discrimination, in order that the society, and also the depositing public, may be able to repose full confidence in them. There are several dangers to be guarded against. How hazardous under *panchayat* government one-man rule may become, resulting from excessive self-assertion on one side, and correspondingly unmeasured submission or indifference on the other, unhappily we know from ample experience ob-

tained. Also what "carver's greed" may mean, keeping all the good meat for the man who wields the knife. But there is danger no less in want of strictness in seeing the terms of employment and repayment of loans observed. That is, indeed, the most crying need of the present moment. And there is danger in careless acceptance of insufficient security, neglecting to make sure that the sureties' signatures are genuine, in the employment of idle money and in "stretching" of points. The qualities mainly to be looked for will have to be, not superior literacy so much—although that is distinctly desirable—as trustworthiness and common sense.

As a matter of course the *panchayet* will have to meet frequently, or at any rate to be able to do so. There is no occasion for the study of punctilious formality in its proceedings. There must be a written record, no doubt, of the *panchayet's* doings, to serve as evidence. But generally speaking the possibility of acting promptly and with perfect freedom as to the qualification of claimants for loans is worth more than all ceremonial observances and red-tape formalism.

As the right number of members to form the Committee Raiffeisen recommended five, which squares well enough with Indian habits; however, for small societies, such as some Registrars talk of giving the preference to, this appears to me to be rather larger than need be. In small French rural credit societies three are found quite sufficient. German societies are generally rather larger than either French or Indian. And in them Raiffeisen apprehended that coming down to three—which is the number actually accepted in the Schulze Delitzsch societies, but under distinctly different conditions—might involve danger. As the Treasurer of a British Civil Service Credit Society put it to me—"you can get round three men, but you can't get round a larger number." That really referred to the Council, for which Raiffeisen would have the number to be nine. And his holding so firmly by the two said figures conclusively proves that he would never have favoured the idea of forming such very small societies as those on which some Indian Registrars appear to have set their hearts, of twenty-five and less—except where no more members are to be got. Societies have begun in Germany with only seven or eight members. But take five Committee men and nine

Council men out of twenty or twenty-five, and what remains ? Whether three or five, the *panchayet* men ought to act as much as possible in common and be as accessible to applicants and depositors as can be, and as ready to act promptly upon their applications.

The fact that, after more than seventy years of its existence, the Raiffeisen Union still holds fast by the figures of respectively five and nine shows that such apportionment has worked satisfactorily. No change in this respect has ever been suggested.

For ministerial purposes the *panchayet* are commonly given the assistance of a Secretary-Cashier, about whose position and duties more will be said presently, but whose services, so it may be remarked at once, it is essential should be kept *purely ministerial*, no discretion whatever being allowed to him to act of his own motion—or the responsibility will be shifted from the Committee upon him, and he, the intended servant, may easily become the dictator, as in fact the Report of the United Provinces Co-operative Committee shows that in too many instances he has become. Also, giving him a voice in the disposal of money must manifestly mean serious danger to people among whom bribery and corruption are not altogether unknown.

Now the first duty of the *panchayet* will be to study the promotion of thrift—and that on two distinct grounds. One, of course, is the desirability of accustoming members to habits of thrift, and to keep them to such, and so to train them eventually for their own sake to a capacity for acquiring property of their own by provident action. Their comparative wealth to be got is to be of their own making, or it will be fleeting and uncertain. The second ground is this, that the society must needs, to be able to do the work proposed for it, acquire funds of its own to operate with. Now this it can do only by the collection of sums to be entrusted to it for keeping on behalf of their owners. The idea so widely prevalent in India and so freely acknowledged, that the society should draw its supplies of cash from outside, and in this way come to the members as an endowed or “financed” institution—like a *takavi*—rests on an entirely false conception and points to as false a goal. That is the idea which prompted the formation of the Agricultural Bank of Egypt, of the French *Crédit Agricole*, and of the

German State-endowed Central Bank—all of which have accomplished certain work, indeed, but not the desired good work. The possibility of help from outside there will have to be. We could not do without it. Indeed, one distinct object in our organisation is to provide for it within legitimate limits and in a legitimate way. It gives strength. It is often enough of material assistance at starting. It is an invaluable resource in times of trouble to fall back upon. However, it is really intended only as an emergency help—a crutch, so to put it, not a natural pair of legs. The sheet-anchor of the society's existence, the foundation upon which the society will have to be made to rest—if it is to enjoy an enduring existence and do the good that is expected from it—ought, ultimately at any rate, to be its own strength, by reason of its own command of cash or of the equivalent of such in the shape of economically fully justified Credit.

Both Raiffeisen and Luzzatti began with borrowed help, lending part of it themselves in their private capacity. However, to both of them the ideal avowedly worked for was a society possessed of so much capital of its own that it would be in a position to dispense with contributions from outside, a rock of financial strength in itself, able to brave the storms and waves of changes and serving as a horn of plenty for the district. Hence the idea of the "Endowment Fund," which forms such a striking feature of the Raiffeisen organisation, and of which more will have to be said—which in substance is to be a fund without an owner or a claimant to it, except the community as a whole. There is danger in habitual borrowing from outside, and prolonged dependence on outside support, as we have seen in the case of the Raiffeisen Union consenting, late in the day, to borrow from the Prussian State Bank. M. Durand has gone so far as to speak of money borrowed from outside, whether it be from a Central Bank or from any other source, as a state of being "in hospital," being on the sick list, in a condition under par, in a state of debility, from which it must be the first aim of the society to escape by rousing itself to new vigour and throwing off the yoke of dependence.

Now this is obviously going too far. For avowedly it behoves societies, through their Central Bank, so to organise themselves that they may be able to assist one another in case of need, balancing the emptiness of the one by supplies

from the over-abundance of the other and drawing upon treasure even beyond their own pale. And even in the local society itself, it is—at any rate at first—“other people’s money” that is wanted. However, such “other people’s money,” and, on a larger scale, Central Bank or Joint Stock or Debenture-holder’s money, is not to be “given,” but honestly “earned,” “bought” by a return value of recognised liability, purchased as a matter of free bargain and exchange. It would be well for the prospect of Co-operative Banking if people would give up thinking quite so much of local societies being “financed.” There is an uncanny sound about “financing.” It suggests a state of dependence, such as a co-operative society should not be in, at any rate for long. Its first duty in fact is to think of acquiring sufficient strength of its own to be able to stand upon its own legs.

That consideration it is which invests the collection of deposits with so much importance as the means by which the desired strength is to be gained. All credit business, when traced to its root, consists of collecting money in order to be able to lend it out again. But *our* specific business also is to help the poor man, by means of his deposits, safely kept for him, and beneficently employed, to raise himself to the status of a capitalist. M. Luzzatti has emphasised this object when calling his credit societies specifically “perfected savings banks.” And both the late Lord Avebury, speaking as Sir John Lubbock in the House of Commons, and Sir Edward Brabrook, a late Chief Registrar of Friendly Societies in the United Kingdom, and distinguished as such, speaking in the Royal Statistical Society, have echoed that pronouncement.

Now in collecting deposits our “strength”—to use a Biblical phrase—is not “to sit still.” The devil of improvidence is too busy sending his tempting emissaries about to decoy people with pies in their pockets away from the path of provident rectitude. German Co-operative Credit societies are accordingly exceedingly active collecting from their members and from others whatever they can, even in dribblets, down to the smallest denomination. In part I may take credit for such development. For profiting by Herr Haas’ avowed anxiety to throw off the State Bank’s yoke, I helped to lead him on the right way. At the time

of the Boer War, by reason of our calling in our heavy advances made to German banks, money in Germany became alarmingly scarce. The Haas Union had practically only the State Bank to depend upon. For its store of deposits was small. And the State Bank was not a pleasant master to have to deal with in time of trouble. Seeking for a remedy, the Haas Union offered three prizes for the best essays upon the subject of developing Thrift in societies. I competed anonymously, and was fortunate in obtaining a prize, in consequence of which my essay was, as the Secretary of the Union afterwards informed me, circulated among the societies "by the hundred thousand." In my essay I called attention to the most valuable institution of our English "Collecting Banks," humble, unpretentious little bodies that they are, but forming a fair number, which do yeoman's service in the promotion of elementary thrift. Their system is, through their volunteer collectors—for the most part young ladies—to gather up small deposits from working and other poor folk, *at the very time* when they happen to be in funds, say, on pay day, or immediately after, before the devil has had a chance of tempting them to spend their few pence on finery, or sweets, or drink. Those collectors penetrate everywhere—into the house, the workshop or the field—and will not be put off. And the societies' collectors tell me that they experience practically no difficulty in gaining the poor people's confidence and securing the money, which they carry to the "Collecting Bank." That bank cannot afford to allow any interest upon those deposits. "If it is interest that you are after," so they tell the people, "then take the trouble of carrying your money yourselves to the Savings Bank, which will pay you interest." However, as soon as the account of any one person has reached the figure of £5, say Rs. 75, they hand the amount over in the depositor's name to the Savings Bank, which from that day forward pays interest upon it, and the account so opened is not likely to be closed in a hurry.

There is another institution that I at the same time called attention to, which has subsequently answered extremely well in many countries, and has, as I am glad to learn, since found its way also into India. That is the American invention, then quite new, of what is called the "Home Bank." That "Bank" consists of a strong metal money-box, with a good

lock to it, of which the institution issuing it keeps the key. In such "Home Bank" people are invited to deposit odd pieces of money, at home, whenever the spirit moves them. They cannot get the money out again. But periodically they carry the box to the society, which empties it, and credits the owner with the amount taken out. In the United States it is found that on an average such a money-box will collect as much as £20, say Rs. 300, in a twelve-month. What the figure is elsewhere I am not in a position to tell. But people are satisfied with the result. Our British Post Office has introduced the same receptacle in England by the name of "Home Safe." There is not yet sufficient experience to show how the implement has worked. Of course there were other suggestions as well that other competitors and myself volunteered. Some of them were accepted. A vigorous campaign of inviting and collecting deposits was set in progress, and in consequence the face of things came to be wholly changed. The new departure proved distinctly successful. At this point, as well as elsewhere, in Co-operative Credit business, it is pre-eminently "elbow grease" which is wanted. Whatever precise expedients be resorted to in India—every country as a matter of course has its own customs and its own peculiar aptitudes, which want to be considered—if a society wants to take much money in deposits—and that is for it both the cheapest and the most dependable source of cash—it will in any case have to lay itself out for exerting itself to that end, spread out its web, as a spider does, so as to catch many flies, rather than wait in its hole for chance flies to come crawling in.

That deposit money, which means to the depositor eventual comparative wealth, growing up as it does gradually into capital, and meanwhile teaching its owner how to husband his pies so as sooner or later to be able to take them out again in the shape of rupees, brings to the society the cash that it needs in the most convenient and the cheapest manner, leaving it master of its own funds.

However, that money will some day or other have to be paid back. Now, with regard to paying-back conditions there is an utterly false impression widely prevalent. Societies, which first won't take any trouble to get the money, once they have it seem determined not to let it go except at extreme inconvenience to its owner, whose

dealing with it they study to hedge and fence in with as irksome conditions as they can devise. There must be notice—long notice, the longer the better. What these people appear to forget is that the depositor very naturally has his own views and interests in the matter. He deposits his money as a *saving*, not an investment, in order that when he wants it he may be able to draw it out again. And the more you tie his deposit up, the less ready will he be to entrust it to you. You will have your condition of notice. But you will be without the deposit. Now I may presume to say that I speak with some knowledge of facts. For in the nineties I made a very searching special study of Savings Bank usages in all the world, the results of which study I embodied in a paper read before the Royal Statistical Society in 1897, entitled "Savings Banks at Home and Abroad." In the course of that study I found that the most successful Savings Banks throughout were those which, whether bargaining for notice or not, as a matter of fact paid without exacting notice, or else cutting it as short as could be, except, of course, in cases in which the deposit had been accepted specifically for a definite time—generally a long one, with a higher rate of interest fixed, which institution has been found a most useful one for deposit banks. They experienced no difficulty in paying out, because their cash-box was habitually full. People trusted them, because they liked their paying-out ways. Even generally speaking, then, it will be seen that it is a mistake to tie up deposits too tightly.

However, this matter has a quite special aspect for co-operative institutions. For, if savings deposits anywhere make what one of the highest authorities on Savings Bank practices, namely the late Mr. Meikle, of the premier Trustee Savings Bank of the world, that is, that of Glasgow, has aptly called "good, lying money," it is so more particularly in co-operative societies. Mr. Beatson Bell and Mr. Mitra have both testified how, even in India, beginning only with Co-operation, co-operative societies have been found as holders of deposits to weather the storms of recent crises very much better than even the Post Office Savings Bank. Sir Robert Morier noticed something of the same sort in Germany during the war of 1866. And the reports which have reached us lately in London show that the results of that early war have been more than borne out in the great

World's Struggle. It is quite natural. People do not "run" upon themselves. Their co-operative bank is in effect their own pocket. People do not "run" upon institutions of which they themselves have elected the managers, which managers they keep under their own control.

Look at the huge mass of deposits in keeping with the two great Co-operative Wholesale Societies of Great Britain! Sir William Maxwell, the late President, has frankly owned that the reason why the great Scottish Wholesale Society went into Production, erecting for the purpose costly productive workshops, was, that it really did not know how otherwise to employ its immense wealth of deposits, which came flowing in. Now that is not an employment of deposits that I should like to recommend in India, at any rate at present. However, as a matter of fact in England and Scotland no harm whatever has resulted. That deposit money has come in "to stay." And it is bearing capital fruit. What in truth is far more important than rigorously hedging in deposits by troublesome hard-and-fast rules about notice is to exercise due discrimination in the selection of *panches*, who will not think only of themselves, being controlled by members who, even if they should not be able to write or read, would watch carefully over the employment given to society money. Once you make the tree good the fruit will prove good also.

However, Co-operative Credit societies should not content themselves with *savings* deposits only. Most of those that I am now thinking of start without, or with only very moderate, share capital. And if they want to have money with which to operate, they will have to try to get all the more in the shape of loan capital. Now the accepted practice is to take such money, provided that it is to be got, from a "Central Bank," which is supposed to be an indispensable fairy godmother. However, the "Central Bank," whatever it may have been intended for, was certainly never intended to provide "good, lying money" for the society to operate with permanently. Its purpose is to supply casual needs, grant specific loans "for a temporary purpose," as bankers style it, or else open a cash credit, give an overdraft, to be drawn upon as occasion may require, certainly not to remain idle, but on the contrary to be kept very much alive, moving

money backwards and forwards, or it will be of no advantage to the "Central Bank." The Central Bank cannot deal out anything but what practically would be "mortgages."

Besides, such borrowing would place the local bank in a position of permanent dependence—which is never a satisfactory position to be in. Better try to secure depositors of your own with whom you may make your own bargain. The local bank will certainly be stronger if it can obtain the requisite cash upon its own responsibility, to be used in its own way. Such money is to be got in the shape of long-term, fixed deposits, running for a predetermined, more or less lengthened period, during which it is not withdrawable and, being, in consideration of that condition, remunerated with a rather higher rate of interest—the rate of which will rise proportionally with the increased length of time. Such deposits are greatly in vogue in Europe. No doubt their acceptance calls for such knowledge of business as only experience, coupled with judgment, can supply. You do not want more of that interest-consuming debt than you know that you will have employment for. Nor do you want it for longer than you will need it. But wherever a credit bank is really in its proper place, wherever, that is, its existence is justified by the business that is brought to it, there is likely to be some ascertainable figure, up to which fixed deposits will provide a convenient source of supply. And knowledge with regard to both the proper amount and the proper periods for which such deposits are to be sought, as well as the best time for asking for them, should be likely to come by practice in course of time.

And there is another point that wants calling attention to in connection with long-term deposits. There are more or less moneyed people in India, no doubt, who wish the movement well, but who cannot afford the time required for taking an active part in the management of societies. Well, those people may help the movement very effectively—much better than by intermittent and desultory attendance—by making fixed deposits, the holding of which will, of course, secure to them sufficient right of insight into the society's doings to constitute something of a safeguard to their own peculiar interests.

The money having been got together will certainly want

to be profitably laid out, so as to earn interest. For it costs such. And such laying out will in the main have to take the shape of advances to members. Only members, of course, are to be dealt with. To manipulate such business is the second task to discharge which the *panchayat* was elected and, to outside eyes, it is apt to present itself as the more important of the two. Needless to say, it calls for very much more circumspection and judgment than does the mere receipt of deposits; and in the consideration of this business comes out the unquestionable superiority of the handling of the business by a *local* body, as compared with an institution situated at a distance, be it ever so much wealthier and, in a technical sense, better officered. For the most important point to be considered in the work of lending out money is the qualification and character of the intending borrower as a man, and the prospect of the use which he proposes to make of the loan.

Now the question attaching to the value of the man and his qualification for becoming a borrower cannot be judged wholesale, according to a general rule, and regulated by hard-and-fast precept, such as may be laid down by a superior body acting, it may be, at a distance. For obviously case is likely to differ from case. And that may in one case be perfectly legitimate which in another case is altogether unallowable. That is why the business cannot, without the risk of making it miss its object, be left to a Central Bank or to any distant authority. There can be no hard-and-fast rules. Under the Diomedean necessity of working the matter under tolerably strict Registrars' directions, such as is at present necessary, too much of the hard-and-fast, mechanical and procrustean rule has indeed already found its way into Indian practice. Only, one does not quite see how, in the present stage, that is to be altogether avoided. There is the *haissiyat*, which is useful, but tends to deflect credit from lending to the *man* into the way of lending to his *property*. Now that is as wrong as can be. For it is not the property which is to be lent to and which is to serve as security, but the man with his sureties to back him. "Real" security, whether in land or in chattels, *may* have to be taken in an exceptional way. But that had much better be done by way of collateral security. Really, mortgage credit is the last thing that a Co-operative Credit

bank, as here kept in view, is qualified for. Co-operation *may* provide such credit ; but it will have to be in another way. "Real" security is the most inconvenient security for a credit society to hold—it may be fatal if it has to be foreclosed upon. The Bankers' "golden precept" rules it out even for capitalist banks. "Banking," so it says, "is an easy thing enough, once you know how to distinguish between a bill of exchange and a mortgage."

It has indeed been suggested, in India as elsewhere, that the local *panchayet*, knowing the people concerned and their properties, will be particularly well adapted to act as a mortgage society's agent and adviser. And proposals to effect such collaboration have repeatedly been put forward. They are before the public in a new shape to-day. But they have thus far in every instance been very rightly and very resolutely rejected. The *panchayet* could not afford to pledge its security for the mortgage loan. And without its liability for any loss, what is its advice worth? As matters are now constituted, mortgage loans should be let alone as much as possible by Co-operative Credit societies.

But to return to actual schemes for wholesale credit practice. No law on agricultural credit was—apart from its political aspect—more kindly conceived than the French. But we can trace the insuperable difficulties inherent in general precepts from outside the circle of persons themselves interested, in the narrow, purely mechanical restrictions imposed, which, as already observed, would make that credit altogether futile in India, inasmuch as neither advances for the paying off of mahajan's claims or expenses of weddings and *sradhs*—which are what raiyats stand most in need of—could be permitted under that law. And such incapacity for judging attaches to the point of time as much as it does to that of the object. In other applications the hitches may be at different points. But hitches there are bound to be, when so delicate a matter as credit is made to be dispensed under hard-and-fast rules. The coat unmeasured to the body cannot possibly fit.

The governing idea in making advances is that a member, being admitted as such on the ground of his ascertained honesty and trustworthiness, should, within the limits of funds available, receive, for any object approved of, as much as will serve to accomplish that purpose, being allowed

proper time for repayment—not more, but not less, either—out of the proceeds of the employment itself of the money borrowed. Now nobody is really qualified to judge of the fitness of the person, the appropriateness to his position of the object, the amount necessary under the circumstances, and the time to be allowed for repayment, but the member's own neighbours, directly interested in good employment and in full and punctual recovery by their common liability. At the present time the Registrar interferes. But that is not because he is Registrar—not, that is, as a permanent arrangement—but because the society is still in tutelage, and he is the guardian appointed. The time ought to come when the society will be capable, and therefore permitted, to act for itself. A “Central Bank” cannot judge with confidence, any more than can the Governor-General's Council at Delhi. “*Pour bien juger il faut tout voir*,” wrote the famous Lord Chesterfield to his son—it is true in a very different application. And certainly nobody can outside the village itself watch the employment of the loan and the borrower's conduct, and determine whether—under such vicissitudes as climatic conditions cause in India—a delay is justified or not. To refuse a delay when it is genuinely called for would be cruel—besides which it would tend to destroy the entire object of Co-operative Credit, by driving the embarrassed debtor once more perforce into the arms of the temporarily obliging but ultimately relentless mahajan. To allow it when there is no justification for it would be impolitic.

In India the determination of objects to be approved for loans asked for has puzzled Registrars and others interested in the movement not a little—but really, once the principle of Co-operative Credit is understood, much more than there is need for. Are expenses for marriages to be allowed? And expenses for *sradhs*? Is a member to be granted a loan who is still in debt to the mahajan? Or is previous discharge from his liability to that amiable gentleman, who, like St. Martin of Tours, is *bonus in consilio, durus in negotio*, to be rigorously insisted upon? To all these, and to many similar questions, which have provoked a good deal of controversy, the general answer can be neither “Yes” nor “No.” The legitimacy of making the advance must in each case depend absolutely upon the circumstances of that case.

Take the case of indebtedness to the mahajan. The very object for which the society exists is to get rid of such debts, to make members renounce the mahajan and all his works. How is it to do that by refusing election or accommodation to the debt-embarrassed applicant, until he has disburdened himself of his debt? Did we wait to draw the sword for Belgium till the Germans had evacuated that country? To deny such a man the advance would be to defeat the object of the society. What we want to know is whether our man's case is a good case; whether the help which we have it in our power to give will be sufficient to get him out of his torturer's toils, however gradually that may be; and whether, that being done, he is likely to keep clear of similar entanglements; whether the use of the loan will make a freer and better man of him. If that be so, he ought to have the money. If, on the other hand, we find that our loan will in all probability serve only to stave off an evil day by being employed to pay just one kist, leaving our man in chains, and only feeding the insatiable mahajan, we ought decidedly to say "No." So it is also with the expense for marriages and *sradhs*. If, practically speaking, the expense *has* to be incurred—custom requiring it—we shall do better to let our man have his money, at a cheap rate, provided that we have security for his repaying it, than by a refusal drive him into the arms of the mahajan who is likely to be obliging for the time, but eventually to suck our man dry. Under this aspect that appears to have actually happened what at the outset I foretold would come about. Our man, having previously only the mahajan to depend upon for money, with all his friends eager for a good treat, was reckless, because he was urged to be so. The mahajan saw his opportunity and opened his bag freely. Neighbours urged that the thing should be done lavishly. Now that our man has the society to go to, which scrutinises his case, and advisedly limits its advance, and his fellow-feasters, knowing that in the event of a default they may have to make the deficiency good, discourage improvidence, he has ceased to practise such. Our man has grown careful and less money is spent.

Now that is just as one would wish it to be.

There will be other problems arising as well. Things advance and the standard of life comes to be raised. People

are then likely to want advances for household purposes. By all means let them have them, if the case be good. Advances, so it is said, are to be made only for productive purposes. But a penny saved is proverbially a penny got. If an advance will enable a member, by a purchase of some necessary article in larger quantity or with money down—to save more than the interest due will amount to—his case must be pronounced good, supposing the advance to be secured. The money will have fructified when it returns, and our man will be the better off. And with him also the country.

However, in all cases we want to be thoroughly sure that loss on our part is well guarded against. There can be no looseness on that point—say, in respect of limitations as regards the number of sureties—which latter will, so it is to be expected, and should, constitute the most common form of security given. For all other forms have their drawbacks. Real security, in other words, a mortgage, is to a credit society, such as is here contemplated, the most insecure security conceivable and should, if taken at all—as it may have to be in exceptional cases—be taken by preference as collateral security. There is the question of title—that is, of the real pledgeability of the pledge given—to consider. Next, there may be depreciation as well as appreciation. Considerable danger and even loss has been experienced from this cause. Foreclosure, in the event of default, is, for a society like that here spoken of, a most inconvenient process, and may lead to the acquisition of a white elephant. Chattel mortgages, as the Americans call them, are as objectionable. There is the “chattel” to seize and preserve without deterioration. The candle may easily cost more than the game. And in hardly any case does pledge credit, whether the pledge be land or chattel, educate. Personal credit, on the other hand, can scarcely fail to do so. For it brings home responsibility to the borrower, as nothing else will, through his sureties. Of such there should be just as many as are required to make the loan safe. You cannot limit yourself to any particular number. The example of Scotch Cash Credit shows that under good practice sureties must be proportioned to the advance exactly according to their value. The Scotch banks take one, or as many as eleven, perhaps even more. The one standard by which they work is sufficiency. So it must be in a co-operative

society. And a thing that wants very much to be impressed upon the attention of newly organised co-operators is, that they must see that the suretyship is genuine, genuinely agreed to by the surety, he being a real person ; and explicitly confirmed in cases of renewal. Cases of forged acceptances by real or bogus securities have occurred. It is not necessary, as some Indians stipulate, that the surety enlisted should be a member of the society. It will be quite sufficient to know that he is "good." If not a member, he will, by his liability engaged, be adding a new outside buttress to the fabric of the society, pledging more money indirectly for its liabilities.

Now all these things require a close knowledge of the men to be dealt with. And they also require a great deal of delicacy of treatment. Once the loan is out, it calls for vigilance and absolute, inexorable strictness in insistence upon compliance with the terms agreed upon. Some Registrars appear a little over-nervous in the matter of renewals. No doubt this is a fault on the right side. For there is distinct danger in uncalled-for renewals. The concession made is very apt to be abused. And from such abuse may spring a bad habit absolutely fatal to any society.

However, there will be many legitimate cases for renewal. And better by a great deal will it be in such cases to grant a renewal than to drive the refused debtor into the arms of the mahajan once more. The point is, to make sure that the case is genuine. And liberties must not be taken with the terms laid down, except with the explicit sanction of the *panchayat*—which body in due course will find itself made answerable for what it does. Those mere paper transactions known as "re-loans" must not be tolerated. No more *benami* loans, which are in truth only frauds committed upon the society. For in the securing of a loan all must be above board.

If the society acts according to rule there will be ample security. First, there will be the guarantee implied by the selection of the member as "a good man and true." Secondly, there will be the special inquiry instituted *pro hac vice* into his character, his opportunity, and his case. The opportunity must be distinctly promising ; and, in addition, the society will have to make sure that the outlay proposed is appropriate to the member's circumstances and calling. In the third place, there will be the security given by the sureties who, being liable, may be depended upon to watch

over the member's conduct. Beyond that, there is the vigilance required of the *panchayet*, the Council (where there is one), and the members in general, all of whom, being bound in unlimited liability, have an interest in exercising watchfulness.

Now, to return to the point of organisation. In the constitution of the *panchayet* it is advisable to provide for only a partial periodical renewal of the members, not to make all members to go out at the same time, with the possible prospect of an entirely new set coming in. Within the *panchayet*, of course, one-man rule should be altogether "taboo." The temptation to it is in small societies very great—which is another argument against a policy of deliberate restriction of numbers. But it ruins the society—at any rate from a co-operative point of view.

But the *panchayet* performs all the single acts that have to be performed in its collective capacity. It has, accordingly, an executive officer allowed to it, the "accountant," as the Germans call him, the "Secretary-Cashier," as I have styled him, who is designed to act ministerially for it and execute whatever it may decide. For this reason the Secretary, as I will here call him, as a matter of course plays a very prominent part in the business of the society. Then, ought he to be a member of the society or not? If he is, ought he to be a member of the Committee? And ought he to be salaried? A member of the society he ought certainly to be, or he will feel no interest in its doings, nor consider its good to be his own good. That *a limine* shuts out "group secretaries" to "do the job." A member of the Committee the Secretary is advisedly *not* allowed to be, because his services are intended to be purely ministerial, executive, not directive.

Officers' services are designedly made gratuitous, in the first place, because in Co-operation—more especially in poor men's Co-operation, in which money is sure to be scarce—people are expected to give what they can, what they have got, for the good of the collective community, to obtain with it that which they have not got but want. But another reason is this, that they are to be secured against the danger of being tempted to "stretch a point" in favour of some obtrusively importunate or else some particularly favoured member—which would necessarily be

at the cost of the society, whose security would in this way be imperilled. If a Committeeman's berth is worth something in money to him, then a member asking for an advance and having a vote might put it to him in this way: If you do not let me have that loan I shall vote and agitate against your reappointment. There must be no possibility of this. Such consideration does not indeed shut out the propriety of allowing some reward to a Secretary-Cashier for his purely clerical and ministerial services, provided that the society can afford to pay such. Such reward will necessarily have to be modest, because there are not likely to be large funds available for the purpose. But it does shut out the propriety of the paid officer being a member of the Committee which allots the loans, or of the Council which reviews them, and so finding himself called upon to assist in determining the issue of loans. There is too much reason for complaint, as it is, of one-man rule in Indian societies—and not in local societies only, in many of which the *sirpanch* appears to rule the roast entirely in his own way. There are Registrars who complain that in "Central Banks" likewise there is often enough only one man who rules, the other members of the Committee allowing him to do as he pleases—which fact is said to be responsible for many abuses happening. If the Secretary-Cashier of a local society were to have a say in the dispensing of loan money, it is to be feared that he would soon become the dictator of the society, dealing with its money at his own pleasure. And if he were paid in the bargain the door would be opened wide to partiality and, it might be, to venality. The safest plan is to keep the Secretary-Cashier a purely ministerial officer only, having no say whatever in the disposal of money, and only executing the Committee's behests.

He must be an optimist, indeed, of particularly sanguine temperament, who would argue that in India that checking and controlling of the *panchayet* is not necessary which elsewhere, all over the globe, has from the outset been recognised as an absolute, constraining necessity. The *panchayet*, be it as good as it please, cannot be left uncontrolled. Its very popularity with members, if that exists, is calculated to tempt it upon paths which lead away from the society's security. And the society's security must be, like the *salus publica*, the "supreme law." Therefore all the world over provision

has been made for the controlling of the Executive Committee, and that provision has been first applied and most impressively enforced in the society itself.

There is an outside inspection or supervision as well, upon which in India very rightly stress is laid. That outside supervision is a German invention, which characteristically took its birth in the most methodical of Co-operative Unions or Federations existing, that of Schulze Delitzsch, as long ago as in 1878. More will have to be said about this in the succeeding chapter, which will be its proper place. It has now found its way into practically *all* Credit Co-operation in Europe, and has been accepted as a compulsory rule by the Governments of Germany and the Austria that was. And such control is everywhere considered to be of the greatest value. No one who has got it would willingly forgo it. However, no one as well would allow it to be exercised by officers of the Government. Such mode of supervision is everywhere condemned as not only useless but absolutely deceptive. "Better no supervision at all than Government supervision." This is what M. Luzzatti exclaimed when the question was put to him. That is indeed going a trifle too far. For, supposing that Unions *will not* themselves supervise, there must be some method of compulsion kept in reserve. As such, and distinctly as a threat of punishment, is the prospect of Government interference in the matter regarded by societies. Government officers lack, generally speaking, and necessarily lack, proper fitness for the task, and could moreover not enforce their ruling as Federation officers can. However, rank the "super-supervision," so to call it, as high as you will, after a long and lively discussion kept up in the Continental Co-operative Press some years ago, everybody was found to agree that supervision carried on *within the society*, by some organ of the society itself, is of *greater value* still and indeed indispensable.

In India, as it happens, such supervision is for the time still impracticable. There seems no doubt about that. The very smallness of the societies, as already observed, for one thing militates against it. For the moment India must, therefore, still depend upon its active Registrars, as controllers, who no doubt do all that they can, to keep societies straight. It may be hoped that some day the time will come when even the sacro-sanctity of the *sirpanch* will no longer

stand in the way of his having his work for the society looked into and himself called to account, so that India likewise may take its place in the international phalanx. In any case it will be worth while explaining the method employed elsewhere.

Of course some control and supervision—in truth, very rigid checking—is in a well-constituted credit society expected to be exercised by the great body of members themselves. It is for this reason that that “maximum of publicity” in the dealings of the society is prescribed, the necessity of which Sir R. Morier particularly insists upon and which, like the admission of oxygen in material things, serves to keep the atmosphere pure and sweet. Those periodical balance-sheets and statements of accounts, which you may see in the office of every rural credit society in Germany or Italy, are not hung there for nothing. Members are to be kept advised of what is going on, what money is lent out, to whom it is lent and so on, in order that they may, as neighbours, check current dealings and, in the event of their scenting mischief, sound a note of warning. There is only one thing connected with the management of a society which must not on any account be disclosed; and that is the names of depositors with the amounts standing to their credit in the savings ledger. That information is kept sacredly secret. And it has everywhere proved possible to keep it so. But otherwise there is nothing which is not made public within the society to whoever may choose to inquire into it.

However, there is a body charged with more careful controlling as its special duty, with a standing direction to report the results of its vigilant examination to members at their annual General Meeting. That body is the “Council of Supervision” already spoken of. Its authority stands next to that of the General Meeting. It exceeds that of the *panchayet*—though its functions are only supervisory, not administrative. It is to meet regularly, but at longer intervals than the *panchayet*—say, once every three months, as a minimum—and overhaul all that has been done by the *panchayet*. It may audit accounts. However, that is, in a society of any magnitude, much better left to a skilled accountant, working under its authority, and as being responsible to it. We have in the Co-operative World

everywhere come round to the conclusion that, except in very small societies, the work of one skilled accountant is worth a good deal more than that of the two unskilled members of the society which our British Act allows as an alternative. We have in Great Britain for this purpose a special class of accountants, fully qualified professional men, but who have made a speciality of co-operative work, which differs in more respects than one from ordinary Joint Stock Company auditing. These men are annually approved by the Treasury and are found of distinct service. But auditing, however skilled, is not Inspection. It has regard to actuarial account-keeping. Inspection applies to the use which the *panchayet* has made of its discretionary powers. Situated as it is, with claimants coming to it with requests from all sides, the *panchayet* wants such a sheltering authority to shield it against improper demands. Neighbourly over-kindness is not, however, the only failing that *panchayets* are liable to. Indeed the catalogue of shortcomings and abuses, such as have actually occurred in India—*panches* abusing their authority, or granting *benami* loans, allowing "re-loans" too freely and "paper transactions," and all the rest of it—is a long one. None of these abuses could have occurred if there had been a decent Council of Supervision to check what was being done and to report in case of need to the General Meeting.

In Germany the Council of Supervision is always a fairly large one—larger certainly than the *panchayet*—in order that it may appear invested with greater authority. The law prescribes that no member of the Council shall be at the same time also a member of the Committee of Management. The reason for this is plain. Nobody is allowed to be a judge in his own cause. Raiffeisen would have nine members in a local bank. In Schulze Delitzsch societies, of course, you come upon larger Councils. But then those societies are likewise themselves larger, and have larger transactions to deal with. In Italy in the Luzzatti societies the Council really is Council and Executive Committee in one, delegating, however, its executive functions, subject to its own authority, to three *sindaci*, selected from among its own members, acting as *panchayet* in respect of current business. In either case the Council stands above the *panchayet*. In France and Belgium a different system

prevails. There is no Council there, but there are *Censeurs*—generally three in number, after the Italian example—who exercise no disciplinary power, but have absolutely free access to all the society's cash, papers, ledgers and whatever else there may be. They are called upon to check, and inquire, and report, point out irregularities and bad practice—and the more searching is their scrutiny, the better pleased are the members. But they leave the action subsequently to be taken on such points to the General Meeting.

The Co-operative Credit societies of Germany and Italy stand in quality, generally speaking, so much above the French and Belgian, that on such ground alone one would feel inclined to award the preference to the Italo-German practice. In any case there is everywhere supervision of *some* sort provided for within the society—which on lines of the Vincentian rule appears to argue in favour of its indispensableness—and in any case no Co-operative Credit movement in which such provision has been made would now willingly go without it, whatever be the supervision by a higher authority set above it. Therefore one would hope that in India likewise the time may come when societies will no longer be as diminutive as they are now and when, with the increase of the number of their members and of the bulk of their business, the difficulties will vanish which now stand in the way of its doing as others do with good effect.

The money having been raised, lent out and recovered, it is to be assumed that there will be a balance remaining over from accrued interest. In early years, and in years of some calamity or else of little business, it may be otherwise. There may be a deficiency. An occasional deficit is regrettable, but it should not necessarily frighten people. There are societies which have begun life with deficits, but have none the less developed to very prosperous bodies. Business is at the outset an uncertain factor, and there must be outgoings. The society was not formed for one year only. The business may require building up.

The question of how to deal with the surplus, and also with the several sections of business which determine its accruing or its failure to result, evidently are questions too big, and involving too much general liability of all members, to be suited for determination by either the *panchayat* or

the Council—supposing such to exist—or yet by the “Central Bank”; nor can they be satisfactorily settled by standing regulations decreed by Government. There is in them too much need of “elasticity”—the “elasticity” upon the necessity of which Sir Denzil Ibbetson rightly dwelt—to admit of such once-for-all regulating. And there is liability involved in them which will fall upon members, and which accordingly only members themselves are competent to sanction—once they have arrived at a state of maturity. These are questions for the General Meeting. Not unnaturally have there, in what may be termed the very patent “infancy” of the societies, been some attempts at dictation from “above.” That was scarcely avoidable. You cannot leave a child to its own devices, with a razor in its hand. In its precepts the Government appears to have followed the suggestions of the “Committee on Co-operation,” which in respect of these points are not altogether above criticism. All this must be regarded as a temporary “go-cart” only, as a “go-cart” in which the child is to be taught to walk under restraint, which would limit its walking power if such were fully developed, but which is applied with a view to methodising the action of members and to developing their power. There is, in truth, nothing to be gained by habitual interference by the Government. The law does well to prescribe that in societies not based upon shares the Reserve Fund, whatever it be, shall be the indivisible property of the collective number of members, not to be shared out, and that a liberal contribution shall be made to reserve every year as a first charge on all surplus—say, 25 per cent. as a minimum, up to a certain point.

There are a whole number of questions coming under this head to be considered. The rate of interest severally to be fixed for advances and to be allowed on deposits is one. Next there is the question of the maximum of credit to be allowed, to any one member, and to borrowers collectively, without special appeal for sanction to the General Meeting. That has nothing to do with the point of security for loans. The necessity for security imposes itself. There *must* be security. But there must also be a limit to risk for members, who are, by fixing such maximum, limiting their own otherwise unlimited liability. On the other hand, it does

not mean that, with the consent of the General Meeting that limit, which is, at the General Meeting's pleasure, a variable quantity, may not in specific cases be raised. Again, there is the question of surplus, how it is to be employed, how much of it is to be treated as Reserve Fund and accordingly kept "fluid," and how much is to be dealt with otherwise.

Let us take the point of the two rates of interest first, for on them will it depend whether the society is able to make both ends meet with, maybe, something over, or not.

The rate of interest will, naturally, have to be regulated by the flow of business. Naturally, however, also, in a country like India, in which custom has since a long time settled the current terms for both loan and deposit interest, there will be good ground for adhering as nearly as is possible to that popular scale. However, you cannot say, once for all, that a co-operative bank should not lend at more than such a rate, nor allow less than so much on deposits, because you do not know in advance what amount of business it will have. It must keep its business self-supporting. And as a reward for custom, if its rates should by any chance be temporarily less favourable than the ordinary rate, it has more to offer than merely cheap money—which cheap money must none the less remain its steadily pursued aim. It promises its customers an institution *of their own*, in which they need not beg for loans, but have a right to claim them—an institution which will endure, and which, also, will prove useful to them in more ways than one. As has been already explained, some European societies, even though composed of very poor people, have found it advisable for a time rather to keep above the necessary minimum footing of interest for loans, for the sake of earning what will more rapidly build up a decent Reserve Fund. On the other hand, you cannot accept a fat surplus in itself as a proof of good management. Rather does that surplus indicate that you may have been charging too much for advances and will have to come down with your rate. Your ideal aim is—in contrast with what obtains in the case of money-lenders—the highest possible rate for deposits, and the lowest for advances. For borrowing is to be made cheap, and depositing attractive. However, the coat must some-

how be made to fit. Consequently it will have to be considered what the cloth will permit.

The maximum fixed for advances to be made, either per individual, or per society—which is a figure that may be at any time either raised or lowered by vote of the General Meeting, but a figure which certainly wants to be fixed pending such vote—is designed, as has been said, as a safeguard against excessive risk. There is no other question of principle involved in it.

One main point for the consideration of the General Meeting, of course, will be the employment of the surplus. Now with regard to this matter the road to be followed appears to be very clearly marked out, more particularly with respect to societies without or with only very moderate share capital. Where there are no shares evidently there can also be no dividend either. And where there are shares, such will be entitled, as already insisted upon, to nothing but the bare current rate of "hire" for money. Accordingly any payment out of surplus, if such be decided upon, should go, not to capital, but to "business." There can be no fixed rule. But there is one rule which certainly should be "fixed," and stanchly held by, and that is, that the first claim on surplus, even though it should be to the exclusion of other claims, in all cases must be the claim of the Reserve Fund. A Reserve Fund is an inexorable necessity. You *must* have it. And the larger it is, the better will you fare. You can never have too much. In early days it will need especial nursing, such as may call for some sacrifice. But you cannot stint it. This is the rock upon which, according to the parable, you may with confidence set up your house. In a Raiffeisen society the Reserve Fund must be indivisible. In societies of other types that is not indispensable. But it had better be so. For it will impart additional value to the liability, upon which you propose to borrow, and therefore invigorate your credit and at the same time serve to keep members in your society. You cannot well say that the regulation contribution of 25 per cent. per annum is to be made up to the time only when the Reserve Fund will have reached such or such a figure in proportion to your share capital. For the claims which the Reserve Fund is there to meet are not those of the share capital but of the existing liabilities. If a

measure were to be rightly applied, that measure accordingly would have to be, not the amount of the share capital, but the amount of the liabilities. Limiting the Reserve Fund by the standard of share capital is likely to lead you to follow the practices of Joint Stock Companies, which are in a totally different position, being based upon capital, whereas your society is based upon business. There are plenty of co-operative banks which have reserve funds very much larger than their share capital. And they are all the stronger for it and command a better credit.

Now, just the same as in some other respects, in the matter of reserve funds, Co-operative Credit societies find themselves in a distinctly different position from Joint Stock Companies. In a Joint Stock Company the Reserve Fund is a fund out of which to meet occasional deficiencies of various kinds, as they occur. The same need of course the Reserve Fund of a Co-operative Society is intended, and must be kept up at a sufficiency, to meet. However, it is to do more besides. And that point must not be lost sight of. So far as a Reserve Fund is designed to serve the purpose indicated, as an ordinary Reserve Fund—no matter in how many separate compartments it may be split up, to answer this or that or the other call—it wants to be kept fairly what is called “fluid”—that means, in a state readily realisable, convertible into cash. One is glad to see attention paid to this aspect of the question in India—for instance in Bombay—the Reserve Fund being apportioned in different sections to this, that and the other distinct risk, and “fluidity” being insisted upon. At the same time it must also be insisted upon that “fluidity” is not a point upon which Government can lay down an immutable, Medo-Persian rule. In different cases, under different circumstances, there will be calls for different degrees of “fluidity.” And to lay down a hard-and-fast rule is to make that stiff and “wooden” which ought to be elastic and pliable. Procrustes is not an ideal adviser on matters of business.

However, the Fund to be laid by out of surplus is in a Co-operative Credit society not all earmarked for “Reserve” in the sense indicated. There is no dividend—not even necessarily upon “business.” But there is, or ought to be, what in other business goes to dividend. And that is

advisedly intended and designed to go into working capital. Eventually at all events. But who is to say—otherwise than the members of the society itself in each case—*when* that “eventually” is to begin? Raiffeisen indeed thought more of his “Endowment Fund”—*Stiftungsfonds* or *Vereinsvermögen*, as he termed it; and the latter term correctly expresses his meaning; it is “property of the society”—than he did of his “Reserve” in the accepted sense of the word, although never disputing that a Reserve Fund sufficient for current purposes there must be. That was supposed to be self-evident. However, in a society without capital necessarily provision must be made for the creation of capital—capital to work with. And just as Distributive societies raise their capital, which our British Wholesale societies—and plenty besides—are there to show, may become exceedingly important, out of their business, so the Raiffeisen society was to create its own capital likewise out of business—business of a different sort but business all the same. One part of the annual surplus certainly was intended from the very beginning to grow into capital—capital for working purposes. It was in course of time to replace the borrowed capital, which of course every credit society is compelled to operate with so long as it has not capital of its own sufficient to answer its purposes. The ultimate destination of the surplus so accruing was to serve as, let me say, unappropriated capital for the collective community, which, likewise, in the hope of the founder of the system, was ultimately to embrace all dwellers in the locality, all having been gradually converted into persons deserving of election, as good men and true. Here they were to find the means of relief in trouble, the supply of cash for any work to be undertaken. M. Luzzatti, though not giving effect to the same idea in the same way, avowedly no less earnestly fixed his hopes on such attainment—a fund collectively owned, collected out of the surplus funds resulting from, in themselves fruitful, transactions, the “blessing left behind” by other blessings, a Fortunatus’ purse gathered up imperceptibly by those for whose benefit it was intended.

That is the ideal. To what extent it may be attainable, the event must show. It does not for the moment appear within a measurable reach of attainment in India. However, the substantial “Endowment Funds” gathered together in

some German societies show that it is not altogether a vision of dreamland. How much good such a fund, when collected and carefully administered, might accomplish, it needs no visionary's eye to discern. There would be money practically for everything—for economy at home, for improved agriculture, improved small industry, improved everything. So far as the Cornucopia owned in common would hold out, there would indeed be "honesty capitalised," which is M. Luzzatti's favourite term, money, with the help of which the poor could earn and build themselves homes. What would that not mean for our villages !

With regard to this particular point one Indian writer—himself a very active worker in the cause of Co-operative Credit—has strangely misunderstood something that he reports me to have written. He will have it that I have laid it down that, such a state of things being achieved, there will be no further occasion to practise thrift. That is a great mistake. Grow the society as rich as it pleases, for thrift among individual members there will always remain scope and, indeed, a necessity. A rich society does not of itself make every member individually rich. It affords him means for becoming so. But it is only his own thrift which can raise him to that point. And in India raiyat folk have still a long way to climb up before they reach that pinnacle. The object of the collective property belonging to the society is not to suppress or discourage thrift, but on the contrary to stimulate it by making it more effective. There is plenty of scope for thrift and probably always will be. It is more than seventy years since Raiffeisen conceived the idea of his indivisible "Endowment Fund." His idea has been carried out conscientiously and steadily in thousands of societies, doing well. Large sums have accumulated in the "Funds." But the need of thrift remains, practically speaking, as great as ever. If old requirements have been satisfied, new ones have grown up. What was considered a luxury a generation or two ago is now looked upon as a necessary. What outlay in agriculture or business used to be regarded as much too costly to be applied is now practised as a matter of course. New times produce new wants. And the poor, so we have good authority for saying, we shall always have with us.

The "Endowment Fund" is, as observed, "eventually "

to replace borrowed capital, to serve itself as working capital. Then who is to say that such part of it as already exists is not *pro tanto* to be employed now in the manner designed? Provided that you have a Reserve Fund sufficient to answer practical requirements, why are you to lay out part of your property in securities paying a low rate of interest, when you yourself have to borrow for your business purposes at a higher rate? What societies in India want to do, so it seems to me—and the recommendations of the “Committee on Co-operation” afford them no help towards this—is to determine how much of the surplus they will maintain as “Reserve Fund” and how much they will treat as “Endowment Fund”—standing practically as a second reserve, just the same as in German Raiffeisen societies “Endowment” is liable to be made answerable as “Reserve” in extreme cases for deficiencies occurring. Such cases indeed ought never to occur. Should they all the same occur, in them obviously “fluidity” would not be of the same urgency as in ordinary cases. In respect of Reserve Fund sound co-operative societies want to be guided by the same principles which guide all other business institutions. That is, they will have to regulate its “fluidity” according to their own circumstances, which are likely to differ as between society and society, but which may, in the case of each society, be approximately enough computed.

Enough has, so I hope, been said to show that in a well-ordered system of Co-operative Organisation, the local village society is very much more than that purely distributing station for large societies, to the position of which, by reason of the unripeness of the members who compose it, some co-operative organisers in India appear disposed to degrade it; that, indeed, it is the most essential part of the entire organisation, the object of which is, not directly to distribute money, but to make the distribution of money by effective means of self-help possible—the only part to educate and the part upon the good constitution and management of which the security and therefore the well-being and success of the entire movement primarily depend.

\* A leader is nothing without his army. We have a proverb which says: “Take care of your pence and your pounds will take care of themselves.” Take care, then, of your local societies, and your “Central Banks”—which are

useful institutions enough without need of encroaching upon other institutions' domain—may be trusted to take care likewise of themselves. The making of the Co-operative Movement rests with the local societies. The Co-operative Machine, so to call it, to be worth anything, wants to be an animate machine, composed of live parts, instinct with consciousness, lending themselves knowingly, of free will, and with an understanding of what they are there for, and what they are doing, to the work that they are called upon to perform, every spring, every wheel moving, not mechanically, but deliberately, with judgment and a knowledge of its work. It is the perfected, well-finished parts which make the effective machine. And the only workshop for the manufacture of such parts is the local society, in which the units, which are eventually to grow up into a huge mass, are trained and have their habits and character formed in detail. A movement organised in groups as the paramount feature may provide Credit, but it will not provide Education; it may provide the form of "Co-operation," but not the "Co-operators," upon whose "Co-operativeness" the success of "Co-operation" must depend; it will not provide that general mutual assistance which alone can make rural society to thrive—especially, one would think, in India. And it is by itself apt to prejudice even Credit, because like the proverbial *prætor*, it cannot *curare de minimis*, trouble about those small points, upon which, in "detail business," everything depends. Accordingly my advice to Indian co-operators would be: Do not neglect Union, but think first and above all of your local societies, perfect them, put real life, a real sense of responsibility, real self-determination into them! It is the child which is the father of the man; it is the society which is the maker of the Movement.

## VI

### JOINING FORCES

INDIVIDUALS having joined forces in their several societies, the idea of joining forces also on a larger scale, that is, among societies, as a matter of course presented itself to the minds of practical co-operators even before M. Luzzatti had coined his happy and apt phrase : *Indipendenti sempre, isolati mai*, that is : Study to be ever independent, but never isolated ! It was so obvious that if Co-operation among individuals is useful, as producing strength out of weakness, Co-operation among societies must be no less effective as a strengthening link.

It was the Germans who in this matter led the way. Just ten years before our British "Co-operative Union" was formed at Manchester, that is, in 1858, Schulze Delitzsch presided over a Congress held at Weimar at which a "General Union" of societies adopting his principles was constituted. That was the object for which the Congress had been convened.

The aim which the founders of that first of all "Co-operative Unions"—or "Federations"—proclaimed was a totally different one from that which now seems uppermost in the minds of Indians seeking after "Union" and which has led to collective financial organisation in "Central Banks," "Guaranteeing Unions," and the like. German co-operators were thinking of an altogether different thing. But it was precisely the same thing that our British co-operators were in quest of when, ten years later, in 1868, at Manchester, they constituted their own "Co-operative Union." There was no idea of common finance prompting the new departure in either case, although in Germany the great majority by far of the societies joining were credit societies. But there was a strong and general desire for

*unity in principles and practice*, for a union of forces to produce *moral influence and discipline*, and the preparation of a common code and also magnetic attractiveness for the purpose of greater strength and influence. Schulze Delitzsch had all his life been, like M. Luzzatti and like his own successor in office up to a very recent time, Dr. Crüger, a decided decentraliser. "Decentralisation of Credit" was the guiding, the rallying note which M. Luzzatti struck up—with remarkable effect, as a young man of only twenty-two, when in 1863 he first entered upon the public scene as a social and economic reformer. "Decentralisation in the distribution of Credit" has been the "leitmotiv" in all Co-operative Credit action which thus far has succeeded as a richly wealth-producing, and at the same time educating and character-forming, force. A decentraliser of distribution and imposer of individual responsibility Schulze, like M. Luzzatti, remained to his dying day. But both were all along in favour of centralisation in finance. The Schulze-Delitzsch Union had great difficulty in securing the services of a genuine Central Bank, really their own. Two provincial Unions formed one each and found them a distinct convenience. And so did the admirable Polish societies formed scrupulously upon Schulze's pattern—although not joining his "Union" on nationalist grounds—which find a veritable tower of strength in their own "Central Bank." The German Schulze-Delitzsch Societies, some twenty years ago, secured the services of a strong central organ by an arrangement with the powerful "Dresdner Bank," one of the three largest Joint-Stock Banks in Germany, which has allotted a special "Section," on the Directorate of which they are represented by Directors of their own nomination, which carries on their business to mutual complete satisfaction and with excellent results, both at "tapping the market" and finding employment for surplus funds.

The Polish co-operative banks referred to, by the way, carrying on business for Poles in what were until lately the Polish provinces of the kingdom of Prussia, may be held to deserve a word of parenthetic mention, just to show what in the matter of Co-operation firm resolution, loyal standing together and strenuous action will accomplish without extraneous help in the provision of share capital.

The Poles have been in Prussia distinctly an oppressed race, which had no favour whatever to look for from Government. Rather did Government use its power at all points very effectively and not overscrupulously against that Slav nation—as, for instance, in the matter of land settlement, aiming thereby at the displacement of Polish landowners by German peasantry. That work went on since 1886, absorbing enormous sums of money, without attaining anything like its desired end. Against this aggression the Poles operated in a non-combatant way, relying upon their own purely constructive efforts, which bring the power of Co-operative Credit banking into bold relief. And within the limits of what is practicable they have proved altogether successful. Of course in this matter of land settlement, which requires money for very long investment, there must be financial assistance from outside. Co-operators cannot out of their own resources raise all that is needed. The Government has in spite of itself afforded some valuable help—obtained in a moment of administrative somnolence—of which Polish societies were prudent enough to avail themselves—through the public *Rentenbank*, an institution which advances for the said purpose three-fourths of the purchase price of land and buildings in the case of approved societies in the shape of guaranteed landbonds.\*

However, even so there remained money to be provided. And in many, many cases that remaining fourth proved a sore crux to the acquirer. To overcome that hindrance Polish credit societies afford relief, granting, to approved borrowers, money up to the full amount required, as a matter of personal credit. However, even that taxes their resources. And they need a strong Central Bank, capable of attracting ample deposits and tapping the general market, to assist them. Their Land Settlement Societies, I may say, having inspected them myself, have proved distinctly successful, and a great benefit to the Polish population, as entirely independent, co-operatively conceived and co-operatively managed institutions. The first so formed, at Pinshin, was wound up some four decades ago, having wholly achieved its object, with an absolutely clean balance-sheet. The Polish Central Bank is of what Indians term the “mixed” type—

\* I have explained the method of their business in my book “The Future of Our Agriculture.”

that is, it was started, in the main, with private capital, subscribed by individual shareholders, though some co-operative banks took shares at once. As time goes on, co-operative bank capital gradually replaces privately subscribed, and the Central Bank becomes more and more the local banks' "very own."

Obviously banks operating with less capital than those here spoken of, or with none at all, and with slowly moving business—such as those working in rural centres—stand in a totally different position from the well-endowed, fairly capitalised, Schulze Delitzsch banks and their sister societies, the "People's Banks" of Italy—which latter, in spite of M. Luzzatti's repeated urging, only after a successful career of more than fifty years, began to gather some of their local societies—not the very strongest—together into a central financing organisation. Even in Italy, however, all the same, the need of centralisation of some sort, for financial purposes, long since proclaimed itself. For no fewer than about 300 local banks have sought shelter since many years under the protecting wing of the great *Banca Popolare* of Milan, acting practically for them as a Central Bank.

However, we really have not yet got to the point of finance.

The idea approved in the minds of our British co-operators, headed as they were then by the great founders of the movement, Vansittart Neale, Tom Hughes, F. D. Maurice, Kingsley, Ludlow, Holyoake, and others, when in 1868 they formed the "Co-operative Union"—which has proved so remarkable a source of strength to the movement and of power for its expansion—was precisely the same as that which prompted the formation of the German Union ten years earlier. In fact Vansittart Neale and Schulze were close allies and fellow-labourers in the matter, in constant intercourse with one another and given to common counsel. Like Schulze, our British co-operators were declared decentralisers. Not one among them in 1868 thought yet of the formation of the "Co-operative Wholesale Society"—which since then has become a great commercial power, in the words of an admiring American of extended experience in business, the organiser of the visit of the "American Commission" to Europe in 1913, Mr. David Lubin, "the thing coming nearest a miracle that I have seen"

Our forerunners in British Co-operation were "out" for quite a different thing : to gather the dispersed, isolated fragments of Co-operation together, form of the straggling clusters a solid, organised host, with a recognised programme, common principles, a common plan of action, and thereby becoming powerful to influence outside opinion, attract new adherents, and above all things to maintain purity of practice and purpose, some sort of discipline, besides the force which may influence legislation, then still much in arrear. That was our "unifiers'" aim, and that aim they have attained. Our co-operators are many times the stronger for having so joined forces. Their Co-operation is purer, much more uniform, and by reason of its uniformity, in essentials, maintained of free will—which adds strength and impetus—much more progressive.

The principle of Union on such lines is now everywhere accepted and recognised—everywhere where Co-operation is the free-will product of those who actually practise it. Principle makes a democratic organisation, in which members think and act and decide for themselves. Hence it educates and forms character.

In Germany the purifying disciplinary efficacy of Union based upon principle is in a manner to be seen at its best in the two great Unions, formed severally by Schulze Delitzsch, and by Raiffeisen. For in them the premier form of Co-operation practised is Credit. And it is Co-operation in Credit which needs discipline and strictness most. In handing goods backwards and forwards across the distributive counter the necessity does not arise in the same degree. Goods are passed and are paid for and the matter is done with. Also the principles of action are for a single dealing far more simple. In dealing with Credit very much indeed depends upon soundness of action. The "Union" inspects, checks, administers, sees that its monitions are paid heed to. It discusses, inquires, lays down common principles. It cannot enter very minutely into details, because the propriety of details varies just as conditions do in different cases. It cannot compel members to do exactly as it prescribes. But, in the first place, its judgment will be respected, because it comes from fellow-members experienced in their business. Theirs is a democratic judgment, based upon common agreement and ample experience. And if it

cannot compel, the Union can remonstrate, warn—in cases of extreme need expel. That means a good deal more for a credit society than it would for a distributive organisation. If the distributive society sells articles of good quality and cheap, it will still retain its customers. A credit society expelled from its "Union" loses its status and its credit at once. Hence the truly incalculable value of "Union" inspection, which was introduced by Schulze Delitzsch in 1878, and which has now been adopted by all the Governments of Central Europe.

It is to be hoped that sooner or later Indian Co-operators likewise will have "Union" of the British and German type. Their Co-operation will be the stronger, the more self-reliant, the better capacitated for getting their many millions together under its banner. But to have such a "Union" Co-operation must be free and self-determining.

There is, however, a different kind of "Union," as well, the want of which is under circumstances keenly felt even before the need of the other form of Union asserts itself. That kind is more particularly wanted among credit societies formed for the use of petty cultivators, and formed, more or less under the Raiffeisen system, with a very diminutive share capital or none at all, and whatever there is coming in doing so only slowly and gradually

The Co-operative societies dealing with credit for agricultural, and generally rural, members, evidently in this matter stand from the outset on a different footing from those formed by Schulze Delitzsch and M. Luzzatti. Whatever they were, and whosoever lead they followed, they began in poverty, for the most part altogether without share capital of any sort. If the Schulze Delitzsch societies under the law of liability as it then stood began with unlimited liability as an unavoidable adjunct—limited liability being not yet known—and subsequently retained it on the ground that it increased their command of credit—the Raiffeisen and cognate societies began with it as their indispensable sheet-anchor, their sole financial resource.

Now, mere liability without some one who will discount it is like a cheque which cannot be cashed—for the time a mere scrap of paper, however "good" the signature upon it may be. Societies with only such resource could not reasonably make it a matter of complaint if they received

no deposits. There were deposits coming in, as it happened, all the same ; however not in anything like sufficient volume. The business of these societies, never anything like as large individually as that of the Schulze Delitzsch societies in popular centres of trade and commerce, was necessarily fluctuating as well as slow-going and comparatively scanty. There were distinct flood and ebb tides. Accordingly a balancing centre became imperatively desirable in addition to a provider or providers of first cash. At the start local societies came to one another's rescue in this matter, lending to one another whenever they could, just as now happens sometimes in India. However, that has been rightly condemned, wherever at all avoidable, as involving danger. It is not recommendable, because no society can quite know for how long it will be in a position to do without its cash, whereas, on the other hand, an advance subject to withdrawal at call is of very questionable benefit to a credit society borrowing, especially to one dealing, as rural societies do, in long-term loans. Of course, also, there is more risk of failure in a small local society than in a Central Bank. Moreover, inter-society business between local societies does nothing to strengthen the movement as a whole, as centralising idle balances in the money-box of a Central Bank generally does. In the possession of a Central Bank the agglomerated cash balances become a source of strength benefiting the entire movement. Two and two in this case make more than four. And really the entire organisation of a local society rather unfits it for inter-society business.

Consequently local societies without a strong share capital—and often enough also such with one—necessarily require a balancing centre. But they likewise require a counter at which their " paper " may be " cashed."

Accordingly from an early period in the progress of his movement Raiffeisen, setting the first example, endeavoured his best to form a " Central Bank " for his societies. He had formed a " Union " in the Schulze Delitzsch and Manchester sense, as a matter of course long before. And such " Unions " of the same sort were, equally as a matter of course, set up wherever Co-operation for Credit came to be organised.

Central Banks, likewise, introduced first by Raiffeisen, as almost a necessity to a movement like his, have long since

become a common feature, at any rate in systems having to do with Agriculture. In other movements the urgency is not so marked ; however, under more systems than one the advantages accruing from the possession of a Central Bank have made such coveted and, when secured, appreciated.

Raiffeisen's own path, as the pathfinder in the matter, to the creation of his Central Bank, as we now see it, was not by any means strewn with roses. It proved on the contrary distinctly rough, causing many a jolt and many a stumble, and even one or two breakdowns. Schulze Delitzsch's difficulty, when bound upon a similar errand, was this, that Co-operative Credit society business, although generally safe—provided that the co-operative principle is fully observed—yields only a small profit, such as a commercial bank, working for gain, may scarcely consider it worth its while to labour for. But it was such a bank that he wanted, as a support for his own societies, just because he would not have a Central Bank proper. The "Co-operative Societies Bank" which he at length succeeded in organising, broke down, not over its co-operative, but over its speculative business, which it had taken up to satisfy its shareholders covetous for "profits," but which it was not fitted to manage. Raiffeisen's difficulty was of a very different description. His bank was to be a bank for the business of his own co-operative societies only, owned by them, and satisfying their own modest requirements. It was indeed also to form a link with the open market, to supply excess needs of local societies in either of the two ways in which they will present themselves—either as a receiver of excess deposits, to afford a safe repository for such, or else as a supplier of excess funds needed beyond such as the movement itself could produce, to come to local societies' aid. Also it was to become a financing bank in the way of providing cash against security to incipient societies which were themselves still bare of liquid means. But first of all it was to be a useful balancing centre in two ways. The first was, to adjust superfluity of funds and want of them, as already indicated, but within the movement. The second was, to balance differing rates of interest—which in Germany contrast very strikingly with one another between different parts of the large country. For this last-named

purpose, so it may at once be pointed out, its pronounced centralisation of business in one hand has proved of inestimable benefit. Money is generally more plentiful, and accordingly rates of interest for borrowing it are lower, in the wealthy and industrially developed West than in the more purely agricultural East, where cash is scarce, in larger demand for the particular purposes of the credit societies, and rates of interest run correspondingly high. The difference between the two rates is much what it is between the rates current severally in Great Britain and in India. We know how great an attraction that difference proved at the time to the intending promoters of the All-India Central Societies Bank proposed some years ago. A Central Bank operating from one centre throughout this large German area is in a position to balance between the financial land of Goshen and the barren wilderness of Kadesh just the same as between bank and bank, securing to the more heavily burdened district the advantages of cheaper money by drawing upon the resources of the less encumbered and far more richly endowed, without making any charge such as would be made by an intervening outside institution or even an institution of a different section of the same movement.

That, however, was in the early seventies, when Raiffeisen began his groping for a scheme, still a thing of the future. Meanwhile he had the great initial difficulty of finding the requisite money to endow his central institution with to contend with. And that proved rather serious. It took him more than four years to overcome it successfully. However, in 1876 we find him presiding over a Central Bank, still comparatively weak in capital, but nevertheless so far successful that within a few years we see imitation Central Banks cropping up among congenerous organisations all around it, shaped more or less on the very same mould. The *modus operandi* followed was throughout more or less the same. The local societies themselves could not raise much capital out of their comparative impecuniosity. They were at first not even absolutely required to take shares in order to become entitled to the services of the Bank, so far as such could be given, although they were urged to do so. The Central Bank could not afford to be over-exacting. Supposing that they did take shares the actual demand

made upon their purse was not oppressive, being limited to 10 per cent. of the face value of a share, something under Rs. 200, with liability to pay up the balance by easy instalments. In very poor societies some fairly well-to-do member joining—it might be, the parson—would advance that sum. In view of the nakedness of the land itself, friends had to intervene, taking up shares—however, on the understanding that such shares should sooner or later be passed on to societies, as society capital became equal to the outlay. And since the last reorganisation, shares in the Central Raiffeisen Bank (now domiciled at Berlin) other than those held by societies are allotted only to members of the Governing Council. So constituted the Central Bank has proved quite equal to all demands made upon it, although at first, while its share capital was small, at times with difficulty. Soon, however, the Bank established so good a reputation as to lead the Imperial Bank of Germany—corresponding in position to the Bank of England at home—to concede to it preferential terms for advances and discounts. A late President of the said Imperial Bank, Dr. Koch, has publicly borne testimony to the goodness of its business. His institution had previously given similar testimony to Sir William Mather, who, as a large contractor operating in Germany, had a business account with the German Imperial Bank and inquired, when completely staggered by the to him astounding figures which I had given him—indicating the business of the Raiffeisen societies—to assist him when acting as chairman at a public meeting on the subject at Manchester. The Imperial Bank fully confirmed my figures.

The situation changed a little in 1895, when the Prussian Government established its State-endowed Bank, which was, by taking over Co-operative Societies' business, to relieve the strain upon the Imperial Bank. The Raiffeisen Union would have nothing to do with the new institution till much later. And after it had been caught in its toils it managed to slip out again very quickly. In the meantime the Union had also grown strong enough to shift for itself. And when its ephemeral relations with the State-endowed Central Bank came to a close, it could easily, just like the Schulze Delitzsch Union, arrange terms with the powerful Dresdner Bank, an independent Joint Stock

Bank, working of course for profit, on terms really more favourable to itself than those allowed with a pompous pretence of patronage and favour by the State-endowed Bank—which terms at the same time left the Raiffeisen Central Bank in full independence, whereas the State Bank's terms had bound it to its own monopolistic dominance.

The Haas Central Bank, founded in 1883, in 1895 at once fell in with the State Bank's proposals, which have brought it some gain, but also very much inconvenience and absolute dependence. It was partly in deference to the demands of the State-endowed Bank that the Haas Union cut up its Central Bank business into local sections, so that the State-endowed Bank had in every instance a *provincial* Central Bank to deal with, distinct from the Central Bank at Darmstadt, which latter underwent such a bad shock in 1912. Most of the score or so of provincial Central Banks of the Haas Union, carrying on business independently in their own district, were formed after 1895. However, such arrangement was also altogether in accordance with the decentralising principle set up by Haas, as opposed to Raiffeisen's centralisation of common finance. In course of time, as business grew so much as to become unmanageable from one centre, Raiffeisen's successors likewise yielded on this point—however, so as to leave the unity of the "Union" unbroken. Accordingly its Central Bank, now situated at Berlin, still remains the centre of the entire business and secures to the Union the advantages which the original organisation adopted was selected to ensure.

We have, then, in Germany, the following Central Bank arrangements. The Schulze Delitzsch Union, with its well-endowed societies, has no Central Bank proper, although two of its sections maintain such locally and find them useful. But it employs the strongly capitalised Dresdner Bank in lieu of a Central Bank, supplying itself two Directors to its Board, as having seats and votes in its distinct "Co-operative Section." The Raiffeisen Union has its own *really central* "Central Bank," in which, apart from Directors, only societies hold shares, directing in a manner the entire business, and finding a ready support when needed in the Dresdner Bank—Directors of which have expressed to me their entire contentment with the arrangements concluded with both the Raiffeisen Union and that of

Schulze Delitzsch. The arrangements, so I have found, give equal satisfaction in either case to the contracting parties on both sides, so that it may be taken as a well-established fact that a sufficiently-capitalised Joint Stock Bank may very well answer the purposes of what I will for the moment term a "supercentral" or "apex" bank—a bank, that is, serving as reserve, discounting bills, making advances and accepting deposits, but *not interfering* in co-operative bank business. The only weak point in this arrangement is that such Joint Stock Bank, standing outside the co-operative connection, might give up the business, if it were so minded. That is what in fact has occurred in the early arrangement made by the Schulze Delitzsch Union. The Co-operative Union in that part of Poland which up to the end of the late war formed part of Prussia, formed on Schulze Delitzsch lines, has its highly useful Central Bank, still on "mixed" lines, but with the proportion of societies' shares in the holding of share capital, continually increasing. But it is hardly likely to occur in the case of so powerful and well-established an institution as the Dresdner Bank.

The co-operative banks of the Netherlands and of Belgium, both of the Raiffeisen type—with a pronounced denominational aim added, by the side of the social and economic—have Central Banks on a much reduced scale, organised similarly to that of the Raiffeisen Union, but with a predominance for the present still of private share capital, subscribed in part on denominational grounds. The same thing may be said of the Roman Catholic *casse rurali*, of Italy, with the proviso added, that they are organised according to dioceses, with the *diocesan* Central Banks doing by far the larger part of the business. The so-called Central Bank of all, established at Parma, if it still exists, has never had much business. Among the Roman Catholic gentry of Italy denominational feeling is so strong that the diocesan banks are not likely to be left high and dry. Two other Italian connections, the Luzzatti *banche popolari*—which is the most important of all—and the Raiffeisen *casse rurali*, have Central Banks still only in embryo, of very recent origin.

Barring the Dresdner Bank, and the earlier Schulze Delitzsch Bank, "Sörgel, Parrisius and Co.," both of them distinctly Joint Stock Banks, all the Central Banks in

Germany here spoken of were started on what in India passes by the term of a "mixed" type, private endowing capital predominating at the outset, but permitted to do so on the distinct understanding of its giving place, wholly or in part, as societies would become wealthy enough to take up shares, to societies as shareholders. Outside the Schulze Delitzsch Union, then—which differs from its sister unions in the matter because its entire position is distinctly different—the ideal aim is, that the societies should as much as possible possess their own Central Bank, which is to render all facilities possible, but not to domineer over them. It is entitled to information and the right of inspection, in virtue of its being a creditor, or potential creditor, but not otherwise. Local societies take their audit, their inspection, their admonitions and their precepts—as laid down in Union resolutions—from their *Unions*, that is, from themselves collectively.

Coming now to India, so far as I can gather, it is causes different from those which proved effective in European countries which first suggested a policy of combination and thereby led to the creation of "Central Banks" and "Banking" and "Guaranteeing Unions," and subsequently to the formation of "Provincial Banks" as coping-stones to the entire provincial fabric, centralisers of existing forces. There has also already been much talk of an "All India Bank," as super-coping-stone; and that is a subject at present of active and interested discussion. The MacLagan Committee appear to have favoured the suggestion. The reason for forming these centrepieces, so far as I can see, is that local societies—"primary societies," as they are called in India—could not succeed by themselves in attracting sufficient deposit and loan money.

That is just what happened among our at the time still numerous and correspondingly sparingly equipped commercial banks in the era extending from about 1860 to about 1880, when they found that in their isolation and consequent comparative weakness they could not individually attract sufficient deposits to answer their growing business needs. And that was the beginning of our "amalgamations," which, by combining forces, and thereby strengthening security for depositors, remedied the defect.

"I could not get many people to invest money readily

in the rural bank, but some came forward and paid their money into the Central Bank which financed the rural banks." So wrote some years ago the Registrar at Shillong. But I think it was Sir John Hope Simpson who, showing generally distinct resourcefulness, first introduced Central Banks in his own district, the United Provinces, on the very same ground. And what Mr. Ramachandra Rao stated at the third Congress of Registrars, in 1909, with regard to Madras, seems to come to much the same thing. "There is a good deal of surplus money in some areas of this Presidency (Madras), notably in the Delta. People there feel the want of a *sound* bank for investment. People have also recognised that it is perfectly safe to invest in co-operative societies. So specific proposals have already been made to me in two districts, to organise Central Banks." It was thought—and in practice found—that a cluster of local societies, grouping themselves together to a "Central Bank," would command a readier access to the pockets of the public than the unfaggoted single societies.

Against this Mr. H. R. Crosthwaite, writing in "Co-operative Studies," sets up the following argument, as being urged by "some": "If a co-operative society is not trusted by those who live close to it, there must be some good reason for the fact, and the Central Bank should not grant credit." Now in this Mr. Crosthwaite is absolutely right. And the more it is rubbed into people engaged in the organisation and management of Co-operative Credit, the better will it be, and the more certainly will it ensure success. Because it is really one of the root-principles upon which the movement is based. But that is, supposing the movement to have assumed its normal and perfect shape. It is, as Mr. Crosthwaite quite correctly puts it, the *personal* acquaintance with the persons who take charge of his savings, and his knowledge of their trustworthiness and general competence, which establishes the justification of Co-operative Credit. That it is which Sir Edward Brabrook set up as his argument in favour of co-operative savings institutions, managed through their mandatories by the savers themselves, in preference to ordinary savings banks, in which there are others to manage the business for them—with, as Mr. Gladstone has confessed, an eye to their employment for purposes unconnected with the savers' own

immediate interests. But unfortunately the complaint at the present time, confirmed by authoritative statements coming in from all quarters, is, that the members of our local societies are not yet nearly fit for the discharge of such self-management duties. Their *panches* are for the moment far more self-seeking than any Treasury could be. And the member-depositors are wholly unaware of their rights and not yet competent to exercise them. Therefore, for a time at least, they will have to be kept in tutelage. Our proper duty is to educate them as securely as we can into a better knowledge of things, so as to make them competent for full self-government. Towards this end every effort ought now to be bent. But in the meantime, since we must have money, we must make use of what facility reasonably we have for collecting it from the *persons who ought to supply it*, that is, the savers. And for this purpose the Central Banks have been put into requisition, in spite of all shortcomings that attach to them.

If the argument in favour of combination has force in other countries, certainly in India experience has shown that combination for credit purposes is necessary. The credit-raising power residing in each local society is still so puny and, whatever its force may be, its value is still so little known, so little realised, that, generally speaking, very much reliance cannot yet be placed upon it. The local societies are after all still new. Some of them have had to be dissolved, as not worth preserving. The members of pretty well all are still new to their business. There are, moreover, difficulties about communications, and the quite accountable shyness of depositors is probably not a little aggravated by the ingrained Indian habit of hiding money away unfructifyingly rather than carrying it where, under the care of some other responsible person, it will bear fruit. One may hope that some of these reasons will disappear in course of time—that Indians will realise how much inexcusable national waste is incurred by the practice of “stocking” money (though the favoured receptacle in India is not a stocking); that they themselves and their neighbours, their own national, racial, tribal cause, will be benefited by that money being made available for productive purposes; that, furthermore, local societies having been made thoroughly dependable—in the keeping of their

own friends and neighbours, elected by themselves, on the ground of their trustworthiness—their money will be safe—safe from thieves and safe also from impressment for other purposes in which they have no interest. But for the moment the time for this has not yet come. Even when it comes there will still be a great, and enduring, call for financial union for the purpose of creating greater financial strength. The want of such has indeed been shown to have been already greatly felt. The tendency generally is distinctly in the direction of centralising financially. Only, under pressure of such centralising tendency, the need of maintaining decentralisation in *distributive* action appears in danger of being lost sight of—if such aberration has not indeed already taken place, as the passage quoted from a book written by one of the Registrars of societies mentioned in the preceding chapter gives one reason to suspect that it has. Over the satisfaction of one want we should take care not to forget the existence of another.

Comparing the office of financial centralisation in India with that applying in Europe, it may be said that Central Banks in India, although necessarily formed, in principle, on more or less the same lines as those known in Europe, represent an essentially different kind of organisation. They are necessarily smaller, operating in a much reduced district and accordingly with reduced means and on a reduced scale. There appears to have been some difference of views as to the proper form of their formation. Indian Registrars argue and dispute quite unnecessarily about “three distinct types”—which subject does not trouble us in Europe at all, because there is very little matter of principle hinging upon it. You cannot lay it down that a “pure type” Central Bank is inherently better than a “mixed” or “capitalist” one. The “capitalist” one has this against it, that it may come to an end when that is very inconvenient to the local banks to which it ministers—as the so-called “Central Bank” of the Schulze Delitzsch Societies, otherwise known as “Sörgel, Parrisius and Co,” did—and that “capitalism” in it may spell “profiteering”—if there is not a Government to lay an embargo upon high interest, as has been done in Bombay. However, one would rather leave Government interference out of the arrangement altogether. It may be a safeguard, but it represents an interference. The late

Eugène Rostand's motto is a good one : *Acceptons le contrôle, refusons l'intrusion*. Obviously that will be the most proper form of organisation in every case which most readily provides the required amount of capital under locally suitable conditions. As a rule probably at first the "mixed" type will be practically the only form practicable, because by it alone the necessary capital for starting can be got together. But, being so started, the Central Bank ought, among rural societies, if possible, to become steadily transformed more and more into a "pure" type institution, though even in the later stages of its progress there is absolutely no necessity for private capital being wholly excluded. The danger involved in private capital, of course, is, that it may seek its own advantage too greedily and make the bank a preserve in which to pursue its "dividend-hunting." We have seen "Central Banks" formed with special preference shares—which are quite unco-operative—allotted to private—i.e., capitalist—shareholders. In a co-operative society members should throughout stand on an absolutely equal footing, without any distinction between them. Accordingly preference shareholders with a privileged status must be ruled out of place. "Our preference shareholders," so rightly objects Mr. B. A. Collins, "are an element antagonistic to the rest. They are not exactly an evil, but they are a defect, according to the 'co-operative idea.'" Then there is a note from the Punjab : "Central Banks, when in private hands, at first looked mainly for dividend—the profits earned came to be regarded as their most important feature."

Otherwise one hears complaints about Central Banks, some of which—at any rate so far as one can judge from a distance—do not seem altogether to justify reproach, although, certainly, they do represent a defect. It ought to be borne in mind that men who come forward to take shares in Central Banks do so all the more readily because they believe themselves to be running no serious risk of loss of principal or interest in taking up those shares. The number of such—and other—volunteer supporters of the co-operative cause is in India undoubtedly still limited. More is the pity. For volunteer workers are greatly wanted. Now, when it is said that Directors of Central Banks sometimes show "too little interest" in the cause, and that they allow one or other among them, who has sufficient time and

energy, to "rule the roast," that indicates a regrettable fact, but it cannot be made, altogether, at any rate, a serious subject of blame. For a volunteer worker can only be expected to give what he can, and not what he cannot.

It is very much indeed to be hoped that more volunteer workers will come forward and help, among other things, in conducting the business of Central Banks on businesslike lines. For the local societies do not yet appear in a condition to furnish a sufficient contingent of competent Directors. It is for this reason that those who actually direct the movement will do well to bestir themselves to enlist and train up capable men for the position. But for the time being we shall have to be content to take what we can get. And as for the future, it seems to me that the trend of things is rather in the direction of the Central Banks gradually losing their pre-eminence, as Provincial Banks develop and gather force. And that I take to be on the whole a move in the right direction. For finance wants to be centralised. We do not need the opinion of great bankers like Sir E. Holden and the example of European banks to teach us that. It proclaims itself. Every one can see that a Provincial Bank with a crore of rupees at its command, acting through Central Banks as distributing agencies—together with other not unimportant functions to discharge—will for financial purposes be worth more than ten independent Central Banks operating with ten lakhs each. Our Co-operative Societies in the United Kingdom have after rather long-continued hesitation discovered the value of such centralisation. They now rightly centralise all their liquid resources in the Banking Department of the Co-operative Wholesale Society, in whose hands every pound so collected possesses a considerably larger working value than it would possess in the keeping of the local societies by which it was contributed, while leaving each local society taking part in the centralisation just as well equipped, because after all the pound remains its own and may be drawn out without notice at any time, whenever it is wanted. It is the residue not wanted, the balance remaining over, which tells in the Central Bank's holding.

But what I must confess that I do regret in the organisation of Indian Central Banks is that they, financial institutions that they are, are being put to uses for the performance

of which purely financial institutions are manifestly not qualified, and set to discharge duties which it may be temporarily unavoidable to saddle them with—since unhappily there is no one else yet available for the purpose—but for which they are not really fitted, but which nevertheless they appear to consider themselves charged with for good.

Local credit societies require, even for mere business purposes, more than mere financing. Indeed they require something else in priority to financing, which latter conceivably in a state of perfection they might manage to do for themselves. They want to be audited, checked, supervised—and this all the more, since under present conditions local supervision by a Council seems still out of the question.

Now the Co-operative Central Banks—using that term generically, not in the narrow specifically Indian sense—of all co-operative institutions, come nearest in character to commercial banks. Forming, as they are intended to do, the connecting-link between the co-operative distributors and collectors of funds and the great market, they are bound to accommodate themselves in the general organisation of their business to commercial banking ways. In addition, they are pretty sure to be officered by men of education and some knowledge of business, qualifications such as in the local societies are still lacking. And therefore their officers and Boards or Committees are considered the best suited to undertake the task of tutoring the humble village banker in his petty business and of auditing, advising and generally supervising the village societies. Now, so far as auditing is concerned, of course the “banker” will be thoroughly in his element, though it may be in the discharge of duties which a technically less skilled man might perform practically equally well—by which I do not mean to say that in societies of any size and pretensions a skilled accountant will not be far preferable to an amateur auditor. But when it comes to co-operative *credit* business, our skilled banker is not only as much, let me say, *above* his element, as a Savile Row tailor above an East End clothes botcher; but the proper nexus of common interest desirable in such transactions is also altogether wanting. And among humble folk it is the clothes botcher that is wanted, and not the Savile Row coat cutter. True, the two classes of institutions do

business with one another and are intended for that very purpose, and seem thus in a sense harnessed together in the same team. However, their business is not altogether that of partners in the same concern. The representative of the Central Bank will look at things from his own point of view—which is not quite the same as that of the village society. And his own institution distinctly has a different office to discharge, calling for different rules of action, and has also different interests from those of the village society. The large electric tractor plough cannot operate with the same effectiveness on the raiyat's narrow headlands and contorted angular little plots as the much less pretentious bullock plough of the raiyat himself, supplemented by a spade. The cobbler works with an awl whereas the miner employs an auger. Besides, the interests of the two classes of institutions are essentially different, and everybody works first for his own interest.

After the collapse of the Hessian banks, my whilom friend Herr Ihrig, who had long been Herr Haas' second-in-command, and was actually Managing Director of the Central Bank at Darmstadt, and generally trusted, had criminal proceedings instituted against him because it was found that he had given false information and advice to local societies, being depositors in the Central Bank. The officers, and indeed also the members of those societies, naturally looked up to him, as village bankers are told to do to officers of Central Banks, as to a disinterested and thoroughly well-informed and skilled friend. He had represented his own bank to them as being in perfectly sound condition, fit to be entrusted with deposit money, when in fact it was already hopelessly insolvent. Conduct very much less reprehensible than this might still be distinctly detrimental to a credit society. For really trustworthy advice you must have a man with the same interest as yourself. Divergence of interest necessarily incapacitates for advice.

Supervising village societies' business—which may involve questions of great delicacy—calls for careful judgment and absolute absence of separate interest. It is a matter of course that preliminary examination of the doings having been made within the society, as soon as organisation is complete, by a Council of Supervision, such superior super-

vision will be conducted, not by officers of the village societies themselves, but by chosen representatives or officers, the best skilled for the purpose that can be found, free from all prepossessions—knowing, as M. Luzzatti puts it, slightly misquoting a Biblical text, “neither father nor mother”—and having only the village society’s own best interest at heart. It is in part for this purpose that European credit societies have their “Unions” with the wide district of each cut up into sub-union sections to make it manageable, and skilled officers—who in the advanced state in which the matter now stands in Europe, are made to pass through special training—to do the inspecting work. These men are the societies’ servants. They have no one to think of except the societies. Their representing the “Union,” instead of weakening their interest in the societies inspected—as the haunting thought of the separate interest of the Central Bank might do—greatly quickens it. For, if it is to the interest of the local society that it should not become a “black sheep,” it is still more to the interest of the “Union” that it should have no “black sheep” among its flock. And let alone the fact that a supervisor so appointed and so skilled will bring to his inspection special knowledge and experience, far more extended and varied than that which any of his local clients could command, knowledge of a specifically co-operative character—which is an important attribute—as the representative of the “Union”—membership in which is a valuable asset to the local society—he has, in virtue of his representative authority, the best means of impressing his lesson upon the local society and subsequently enforcing compliance with his judgment. That is far more effective than the Burmese “money stick” brought to bear by a Central Bank, whose directors have, as observed, in some instances in India, been taxed with thinking too much of their own dividend, as they have in others with “showing too little interest,” and who have, in truth, no other weapon in their hand against a refractory local society than the rather brutal one of the “money stick”—whereas the representative of a “Union” is able to vary his pressure according to the nature of the defect and the recalcitrancy of the peccant society.

For the present India possesses no co-operative “Union” of the European type. One is bound to be glad to see a

movement in favour of the formation of such in progress. The appointment of a Committee resolved upon by the ninth Conference of Registrars seems to point in this direction. In Europe, wherever co-operative organisation appears to the authorities of the land not sufficiently complete to warrant "Unions" to be entrusted with the task of inspection as responsible organs recognised by the law, the State reveals extreme eagerness to grasp the reins and claim the sole right of inspection for itself. That tendency has very distinctly shown itself and has had to be resolutely resisted both in Germany and in Austria. One may be thankful that in India there is no danger of such an attempt being made. For I cannot count the supervision now entrusted to the Registrars and their staffs as such. In exercising it they are acting rather as tutors than as political authorities. Officers appointed for the discharge of such duties by the State as general administrative authority are by common consent condemned as of all conceivable inspectors those least fitted for the work—so much so that with excusable exaggeration M. Luzzatti has laid it down that no inspection at all would be better than inspection by officers of the State. An inspector appointed by the State brings no sort of the required interest to his task, nor, probably, sufficient special knowledge. His interest will be limited to sufficient formal, it may be perfunctory, discharge of his duties, in order not to forfeit him his place. His interference is accordingly sure to be resented, very likely to remain unheeded, since he has no means of enforcing compliance with his admonitions—except it be by dissolving the society, which would evidently only make bad worse, by depriving the district of an institution that it wanted and which may be capable of improvement.

The State has a right, and a duty, to see that the precepts of the law are carried out and that balance-sheets are issued, which are correct. That is what our Registrars of Friendly Societies do in Great Britain. They do it well. And societies fully appreciate their supervision as a benefit. They have even asked for a tightening of the reins. But our British Registrars do not go farther. In India Registrars necessarily have to exceed such limits by a great deal, because there is no one else to do the work required. They direct, guide and restrain, not in all instances as officers of the

State, but as guardians and tutors appointed to educate beginners in Co-operation in their new craft. However, with all their energy and activity, their power of work is necessarily limited ; and, besides, their appointed duty is not permanently to do things for societies, but, on the contrary, to teach co-operators to do things for themselves and get out of the way as soon as they can. So, in the absence of " Unions " in the European sense, " Central Banks " have not inaptly been chosen to act in their place. There is probably at the time no better alternative within reach. But their supervising action should be understood to be temporary only. It has proved decidedly inefficient, and on the ground of the special Inquiry recently instituted in the United Provinces the Government of those Provinces declare such inefficiency to be " the root cause of the failure of primary societies." " The Central Banks," so the said Government's " Resolution " goes on to say, " have failed lamentably in this part of their work. There are various reasons for this. First, the Directors are predominantly urban and are not in close touch with rural conditions ; very often too they lack any real knowledge of co-operative principles. They have, moreover, concentrated their attention on the financing of societies, and so long as collections have been good, have not troubled themselves about the education of members in co-operative principles. . . . The committee recommend that the Central Banks should be relieved of the responsibility of organising and supervising primary societies." To put the case more mildly, it is evident that " Central Banks " do not, in spite of the no doubt excellent intentions of their officers, and the unquestionably useful services rendered by some, give *all* the satisfaction everywhere that might be wished. Some of them have been accused of want of interest and energy ; others with placing the interest of " Central Banks " before that of local societies ; others again with ignorance. It has been openly said that the teachers themselves rather urgently require teaching.

However, so closely wedded are some of the champions of the Co-operative Movement in India to the idea of the full sufficiency of " Central Banks," as now formed, to function as leaders and mentors, that not only is their functioning generally accepted as a necessity, but one

Registrar, as already observed, has actually gone so far as to propose that they should be made obligatory and the "pivot" around which the entire Co-operative Movement is to be made to turn; and furthermore that every society recognised under the Co-operative Law should be compelled to join *the* particular "Central Bank" allotted to its district and that local societies should in this way be brigaded like an "army," each group with its own commanding general appointed from "above," whose dictates societies are to be made to obey. And since even "Central Banks," even in comparatively small districts, cannot without risk take charge of the financing of all the local societies "affiliated" to them, an additional class of institutions has been pressed into service in the shape of "Guaranteeing Unions," to answer collectively to the "Central Bank" for the advances taken from it by any particular local society. Now in this proposal, which distorts co-operative organisation—or rather suggests organisation distinctly opposed to co-operative principle—we can well discern a dangerous trend now asserting itself in the Indian Movement, and threatening to deflect it and ~~ruin~~ spoil its co-operative character—of course without any consciousness whatever of wrong doing.

The tendency so indicated is—almost naturally among human beings—to avoid trouble as much as possible and partly therefore—partly perhaps also from the force of habit—to adopt *capitalist* methods of credit, in the place of co-operative. The capitalist gives credit to a person, as representing "property," on the security of some convertible pledge committed to his keeping, which reduces his trouble involved to a minimum. He may, in the case of "personal" credit—which in this application is still based upon the knowledge of the presence of actual wealth—have to inquire whether his borrower and his sureties are "good" for such or such a sum. But that is only to make doubly sure. That is an easy way of giving credit. But it is of no use to the small man, whom I take it that we are thinking of helping. The co-operator gives credit on the security of the assurance that a man may by reason of his character be trusted with the money, and of his undertaking to employ that money for an outlay which will more than repay itself. That, of course, involves trouble—both of inquiry and of

watching. However that is the only way available to help a small man. And that is what Co-operative Credit was invented to do—to provide, as both M. F. Passy and Schulze Delitzsch have put it, “capital without the presence of a capital of guarantee,” to entrust money, as Sir R. Morier has expressed it, “on the security of labour,” which, he added, has been found “as good a security for credit as the broad acres of a landed proprietor.”

The policy based upon “Guaranteeing Unions”—the joining one of which one impulsive Registrar would make compulsory upon every society—is designed to avoid the trouble referred to, by substituting a collective guarantee. At the ninth Congress of Registrars we have even had the proposition put forward, in the same temper of mind, that as security for every loan a mortgage on landed property should be given. Now mortgages constitute a form of security which leaders of every Co-operative Credit Movement, whatever its form, distinctly and strongly condemn. So here we see Capitalism rampant given the preference over Co-operation.

However, there is another idea obviously underlying the proposal already partially given effect to in the formation here and there of “Guaranteeing Unions” and similar institutions. Union within the larger “Unions” already spoken of, may undoubtedly under circumstances be a very desirable institution, in certain cases even almost a necessity. And India, with its small societies, its undeveloped means of communication, the very elementary mastery of co-operative and business principles by those who practise Co-operation, and its wide distances, plainly appears to provide such a case.

The next grade of centralised institutions above the “Central Bank,” providing for a larger district is the “District Bank.” “The problem of finding the effective intermediary between the large ‘District Bank’ and the remote primary society,” so wrote Mr. R. W. D. Willoughby, as Registrar in the United Provinces, in his annual Report for 1915–16, “is about the most difficult we have to face, and there is as yet no solution in sight.” As the only alternative solution—in this sense, as providing for financial service between the two—he mentions “branches of the district bank.” That is practically what—although under another

name—has been applied with very good effect in Europe. However, as Mr. Willoughby rightly reminds his readers, “this postulates a thoroughly trustworthy and energetic local manager with supervision and check by at least one local director of the central institution”—a condition the fulfilment of which under present circumstances presents distinct difficulties in India. Nevertheless, it is by such or similar means that in all probability the “problem” propounded by Mr. Willoughby will have to be brought to a solution. It will have to be realised that, however much Central Banks or Unions and local societies may be dependent upon one another, and be linked together, under one aspect, by common interest—in respect of *business* they form, and must continue to form, two distinct and separate institutions, each possessing its own interests and having its own responsibilities—to whatever extent they may be formed by the same persons and one institution may be a shareholder in the other. In business matters each institution, whatever it is, will have to form a distinct, self-governing, independent concern, with clearly delimited powers, possessions and responsibilities. Entanglement of interests or responsibilities necessarily means confusion, breeds carelessness, and may bring about disaster, just by reason of the absence of clearly marked delimitations.

As a second “alternative”—which in truth is no alternative at all, inasmuch as it very rightly drops all idea of finance—Mr. Willoughby suggests “supervising and organising committees under a district officer or subdivisional officer, which, while not undertaking finance, would control and pay a supervisor, arrange for receipt and despatch of money and direct propaganda.”

Now, drop the “district officer and divisional officer,” and the “arranging for the receipt and despatch of money,” and you have a scheme such as Mr. Gourlay prepared and submitted in the early days, when he was Registrar in undivided Bengal, and which certainly deserved approval. Whatever be the form of organisation selected, the district and divisional officers certainly have no proper place in it. Quite the reverse. We ought by all means to try to keep clear of “officialising.” However, for supervising purposes local unions are decidedly desirable. They may continue so even after India has succeeded—as we must hope that

it will—in grafting the institution of a “Union” in the European sense—as a controlling, correcting, propaganda-making body—upon its system as a means of facilitating supervision and the other tasks indicated. But it will have to be a collective body formed of societies themselves, which will have to be the authority controlling such controllers, or the institution will cease to be co-operative. For the time we may accept the Registrar as a substitute. But we do not want to penetrate farther into the official hierarchy.

One useful step forward promises to be gained if the proposal of the Co-operative Committee of the United Provinces, which is endorsed by the Provincial Government in its “Resolution” already mentioned, is carried into execution and Provincial Co-operative Committees are appointed, to conduct the supervision of societies by supervisors controlled by itself. That is what is done in Germany in all Co-operative Unions formed for purposes of Credit, and it has proved most useful. Every such Union has its own *Revisionsverbände*, controlling the *Revisoren* (supervisors of societies) and reporting to the Annual Congress, one distinct feature of which is the Conference of “Revisors,” constituting, as I may say from experience, one of the most interesting and instructive and practically most useful incidents of the Congress.

The difficulty of Mr. Willoughby’s “problem” will of course become alleviated as organisation in the co-operative banking apparatus becomes effected, until, after completion of such process, it may be expected to cease entirely and things will begin to work smoothly as they do in Europe.

Meanwhile there appears to me to be serious objection to the employment of “Guaranteeing Unions” as intermediaries, just because they make finance their business, which appears to be to some Indian Registrars their main recommendation.

A supervising Union of the type proposed by Mr. Gourlay, so it is quite true, could not be expected to answer all the purposes of inspection by a larger “Union” of the European type. It could not command the services of as fully skilled and experienced inspectors. It could not hope to exercise the same constraining authority. But it would certainly be a beginning. And while societies’ dealings are restricted, “little things are great to little men.” On

the other hand, it might to a certain extent replace Society supervision—not fully, but working up to it.

“Guaranteeing Unions” apparently had their birth in Burma—a peculiarly situated province, in which societies are very small and intelligence exceptionally general—and they appear to have gained some foothold also in the Punjab and the Central Provinces, and quite lately also in Bombay and Bihar and Orissa. In them inspection appears to be regarded only as a secondary object. The governing idea is that a certain number of local societies join together in order to give a certain collective guarantee to the “Central Bank,” which on such security will advance the money asked for. That will save trouble, of course. The “Central Bank,” desiring to be made the “pivot” of the whole system and practically direct local credit, but having discovered that at its distance from the localities to be dealt with it cannot sufficiently gauge local conditions, by this means obtains a guarantee which it considers practically “good enough,” without necessitating further trouble.

Parenthetically I would point out that the principle of directing loaning from central points has not elsewhere been found altogether successful. Central Bank pivoting is the principle underlying the French scheme of Agricultural Credit, which has indeed succeeded in putting money in circulation, but, according to the testimony of its own most interested champions, has not generated any co-operative spirit nor stimulated people acting in common to undertake the liabilities demanded from them. Quite the reverse, it has led them to fight shy of them.

Now, when the idea was first broached of committing the combining societies to unlimited liability, of course, no one would hear of them. We have the testimony of one Registrar to this effect. In no organisation in which members have not the entirely free disposal of their own liability, and can personally check its engagement, should liability be allowed to be unlimited. You may lump finance together as much as you please. As a rule you will in so doing strengthen its power. But responsibility wants to be divided down to the very units, so as to enable you to fix it upon the individual member, but at the same time also—that is a necessary corollary—leave him a free discretion in engaging it. The Store lumps finance together

by buying collectively. It divides responsibility down by asking every purchaser to pay cash on the nail for his goods. The Credit Society works in the reverse direction, but must work on the same lines. It borrows collectively, but it is careful not to interlock liability. It was the danger of interlocked liability which caused Schulze Delitzsch to meet the repeated proposals made to form a Central Bank for his "Union" with such determined opposition. For during his lifetime limited liability was unknown in Germany.

Well, our Indians have in some way limited liability for "Guaranteeing Unions." Each society joining is required to engage its liability only up to the amount of money that it has had in the preceding year received from outside its own resources. That is rather an arbitrary limit, which may not in all cases answer requirements. For a society's need of credit is not by any means a fixed quantity. It should not be. It will vary according to circumstances. What was enough last year may not prove enough in the next. And to lead a society to count upon the "Central Bank" always, as a matter of course, and make drafts upon it a fixed quantity, is a mistaken policy, which may lead to mischief. For borrowing from a "Central Bank" is intended to be something comparable to an emergency measure. The "Raiffeisen of France," Louis Durand, has not inaptly, but with some little exaggeration, put the matter in this way, that a society in debt to its "Central Bank" should consider itself "in hospital," and make it its earnest endeavour to get out as soon as it can. You are not likely to exert yourself to become a capitalist—which is what co-operative banking is to stimulate its members to do—so long as you know that you can always rely upon a certain amount of borrowed money to operate with. On the other hand, a "Central Bank" is there also to satisfy local societies' needs on the occasion of great emergencies, when a good deal may be wanted. It is such uncertainty which makes the management of a "Central Bank" a difficult matter. The Bank wants to be prepared for all contingencies.

There is another point still to consider: Will all those guaranteeing societies be equal to their guarantees? They were last year, but that time is gone by. The "Central Bank" knows positively very little about the financial position of each, or it would not ask for a collective guarantee.

But a guarantee that is uncertain in its fulfilment is not worth very much.

However, the main objection is that of liabilities being interlocked. It is contended—seemingly with full conviction—that interlocking does not take place, because liability is “limited.” That alters the effect, but it does not remove the objection. As matters stand now, you no longer give your comrades a totally blank cheque, but you give them a blank cheque available up to a certain sum. Up to that sum you are committed to them without reserve. You have lost the command of your own money. Up to the point named the disposal of your money is in other people’s hands. Within such limit liability certainly is interlocked, and that should not be in Co-operation. It involves one of the “risks” which co-operators are by all their masters impressively adjured to avoid.

“Guaranteeing Unions” are reported to have been successful in Burma. That is very satisfactory for Burma. But we have not come to the end of our tale. The “book” is still in our mouth only. There it appears “sweet as honey.” The true proof of its quality will be found at a later stage, when it reaches our stomach. One cannot be altogether surprised at the fact that elsewhere, in Provinces not so favourably situated as Burma, “Guaranteeing Unions” have not been found to go down quite equally well—not even in the United Provinces, in which a late Registrar, Sir A. C. Chatterjee, had constituted himself their devoted champion. On this point a succeeding Registrar, Mr. Willoughby, wrote: “The Guaranteeing Union has not yet been tried on a scale from which any conclusion can be drawn. One such union is working in Bijnor and working successfully; but its establishment was not really necessitated by difficulties of supervision or finance and it does not relieve the district bank of anything except some of the risk of finance. Inspectors were instructed to keep in constant view the possibility of organising unions of this type, but conditions in which their establishment was possible do not seem to have presented themselves. The survey of the Basti societies has been concluded and three nuclei have been selected for the establishment of experimental Guaranteeing Unions. There is as yet no indication that the Guaranteeing Union will supply the

type of association necessary to fill the lacuna." In a very similar strain, a Registrar of Bihar and Orissa, who evidently had a strong leaning in favour of "Guaranteeing Unions," has reported: "The idea has not yet captured the imagination of our societies, because they appear to feel that they have enough to do in guarding against the dangers of joint liability in their own society without incurring additional risks." "The view," so Mr. Collins added, "is of course superficial, but still it is clear it will be some time before these unions catch on." That, of course, remains to be seen.

In a similar strain, once more, Mr. Langley, when Registrar in the Punjab, wrote: "The weak point about the unions is that, just as in the village societies, most of the work is done by the President. It is the exception to find any other member exerting himself." And this is what Mr. J. T. Donovan, Registrar in Bengal, reported from his province: "The work of the Santhia Union in Pabna has always been unsatisfactory and the constituent societies applied to my predecessor to have it closed. Its existence was deprecated by those for whose benefit it was brought into existence. . . . It may be noticed that the affiliated societies of this Union pleaded, when asked, for its dissolution, that hitherto *they had not fully understood the liability clauses in the Union by-laws and that they were not willing to be responsible to the Central Bank for other societies*. The Union has not yet been closed, but the Circle Inspector has recommended that its work should be immediately stopped."

There has been marked shyness also in Bengal—and there was, until lately, when a favourable effect was noticed, in Bombay. And from Madras Mr. Swamikannu Pillai Avergon reported "Guaranteeing Unions" to be still disliked, even after unlimited liability—which at first was a fatal stumbling-block—had been discarded. "The sufficiency of the security given by borrowing societies," so he said, "is probably the reason why unions are unwilling to give further security by way of guarantee." They are right. And societies elsewhere should make it their aim to provide for the same "sufficiency of security." The security given by borrowing societies should be sufficient. If it is not, it ought to be mended up to that point. Where "Guaranteeing

Unions " are welcomed as a help, I apprehend that it may be on the same ground on which in Belgium under the late Léon d'Andrimont, the founder of Belgian Co-operative Credit, Unlimited Liability, as borrowed bodily from the German model, was accepted without demur, because members failed to understand its full meaning. When in one such Belgian People's Bank after a time the proposal was made to *limit* liability to twenty-five times the value of the share, members cried out in alarm that that would be far too much, that they could never undertake so large a liability. And yet, up to that time they had, without being aware of it, been liable for all that they possessed.

In Co-operation no one should be allowed to make himself liable beyond what he can himself control. Centralise finance as much as you please, but decentralise responsibility ! Do not shirk trouble ! Elbow grease is your equivalent for the pledgeable security which the capitalist can give, but which you yourself do not possess. You must not grudge it. *Ex nihilo nihil fit*. Inquiry and vigilance in each case are your only safeguards.

I hope to see " Unions " multiplying in India—but as *supervising* Unions, to be eventually merged into larger Unions, of the European type, after which they may remain in existence and continue to do admirable work as sub-unions, a most useful category of organisations. There are such " Unions " at work now in India and apparently doing good work. I may instance the Punjab, in which such " Unions " to some extent act as " Central Banks " where there is not sufficient business to justify the formation of a regular " Central Bank " ; and Madras, which in January, 1926, had 313 " Unions " working.

In connexion with Centralisation of Finance a question, very freely discussed of late by parties interested in the Movement, has been that of carrying Centralisation one stage further and concentrating the entire strength of the collective movement in an apex bank functioning for all India. The Maclagan Committee appear to have favoured the idea, and the success attained by the earliest-formed Provincial Banks establishing Centralisation are evidently calculated to support the suggestion. As it happens, that very same success appears to have concurrently also raised up an obstacle to the realisation of the idea. For it

is among representatives of powerful Provincial Banks that we meet with the most determined objections to the proposal. That is precisely what has happened in Italy in the Luzzatti movement. It was only late in the day that M. Luzzatti, the founder of the movement, moved to it by the distinct success attained under Centralisation by the co-operative banks of Germany, put forward the proposal to form a Central Bank for all Italy. There it was the few particularly strong local banks—most conspicuously that of Milan, which practically served as Central Bank for about 300 other local banks—which raised objections, evidently because they considered themselves to be strong enough individually to do without an apex bank, and apprehended a decline of status and, it may be, a loss of business by having an apex bank placed, as they thought, “above” them. But this was an entirely mistaken idea. For there could be no “superiority.” Each bank would still have retained its own freedom. In India unfortunately the notion that a new Central Bank must needs become *superior* to a mere local bank has been encouraged very much more than in any other country by the relations established between Central Banks and primary societies, which, indeed, amount to a superposition and the investment of the larger body with authority over the smaller. That ought not to be and would have been avoided if the intercourse between the two bodies had been limited to pure finance, as they ought to be, and sooner or later—the sooner the better—must be made to become. The reason why such relations are established of course is, that primary societies were not sufficiently provided with members capable of conducting independently the lead of their society, and by that very reason the primary societies lacked the character which would have attracted—as witness Mr. Crosthwaite’s just criticism—sufficient deposits for independent business. Were there sufficient educated and trustworthy members in the local societies to admit of their functioning independently, there could be none of that assertion of superior authority and consequently none of that disinclination to see an apex bank placed *above* them. A Union of representatives of societies, such as exists in all the well-developed co-operative movements in Europe, laying down rules for the movement generally, and executing such more or less

disciplinary functions as that of pointing out mistakes made by individual societies and false moves, with the extreme penalty of exclusion from the Union held in reserve, would then be in its place.

And that really is the state of things that ought to be aimed at. Central Banks ought to become, as the Government of the United Provinces has laid it down, financial institutions only, and I think that we may have to accustom ourselves to the idea of seeing a large number of Central Banks eventually done away with altogether, and all financial business between societies of different grades entrusted directly to Provincial Banks, acting through local branches, or at any rate with the help of some District Banks, acting for fairly wide districts. It is impossible for any one in my position, at a distance, to venture a suggestion as to how soon such change may come to be carried out. It may take time. That must depend mainly upon the steps that Government may take for educating the members of local societies so as to place them in a position to act for themselves.

The opposition to the formation of an All India Bank is supported by the objection raised by a late Registrar at the Conference of Registrars held in 1926, that the creation of an All India Apex Bank would make the taking of credit needlessly costly, to wit, by the interposition of two or three authorities, each taking toll, between the giver and the taker of credit. It is indeed most undesirable that there should be a needlessly long series of offices through which the business has to pass. However, were the chain of acting institutions shortened by the elimination of Central Banks, obviously there would be less "commission." It is, as observed, desirable that finance should be centralised as much as possible. Where there is a well-organised Union, with a strong apex bank, readily accessible to societies, as is the case in the Schulze Delitzsch and the Raiffeisen Movements in Germany, there are no complaints made about the cost of obtaining a loan.

Under present conditions in India the interchange of credit is effected by local banks—including Provincial Banks as the leading bodies in the business—among themselves. The times of nothing but empty lockers and general and continuous need of credit by banks and societies are happily past. In the place of former anæmia there is now here and

there, at any rate—actually embarrassing plethora of funds, and some Provincial Banks complain of difficulty in finding employment for their money. Some societies or banks have resorted to the rather extreme remedy of refusing to take further deposits. Considering that the promotion of Thrift is as distinctly a prime object of Co-operation as provision of Credit, that is a measure which one cannot see applied without regret. I have urged from the outset that co-operative banks must be allowed *some* outlet, even be it outside the movement, for the disposal of superfluous cash, which, kept in idleness, must mean profitless expense. Our Provincial Banks lending among themselves is one means adopted for meeting the difficulty. But that can scarcely go the whole way. And even for such business the possession of an apex clearing house must be an advantage, as creating a more convenient balancing centre. Our English banks find the existence of the Bank of England, at which they all purposely keep an account, a distinct convenience. It will also be well to bear in mind that inter-society and inter-bank lending may lead to trouble. Flood-tide and ebb often follow one another with quite unexpected swiftness. The lending bank cannot tell for how long it can without danger part with its money. To the borrowing bank, on the other hand—and that will be the weaker side to the bargain—a loan for an uncertain period is not of much use. The General Savings Bank of Belgium, to state one instance, has a standing arrangement for the disposal of its surplus cash by means of loans for an indefinite time, and that answers well. However, that arrangement is limited to the very strongest financial houses of the great banking centres only, from which, humanly speaking, it is certain that the money could be withdrawn if needed, at any time.

The temptation is very great for a financial institution, even a Provincial Bank, to overrate the staying power of its apparently inexhaustible, but really only temporary holding of treasure. I have known two of the largest co-operative banking movements in Germany landed in very great difficulty by their central institutions doing so—difficulty leading to serious loss. The trying time came, and the boasted treasure evaporated like morning mist and had to be made up for by a great sacrifice !

European co-operative banking movements, 'as I have said, have found and still find the possession of a strong apex bank—the stronger the better—extremely useful. In 1895 I found the Schulze Delitzsch societies—like all other financial institutions at the time—overflowing with money—money for which they could not find any employment. In connection with the South African war, which compelled us to call in our money, there arose a great money drought in Germany. Now came the other extreme for the Schulze Delitzsch societies. They had no apex bank at the time. Their so-called Central Bank—acting in a limited way as such institution—had given up business. They were accordingly sadly troubled about what to do. Long since then they have concluded an arrangement with the Dresdner Bank, a joint-stock establishment, being one of the three very largest banks in Germany, under which that bank has become their apex, with a special "Co-operative Section" in it, having its own Board, to which the Schulze Delitzsch Union nominate two Directors. And the arrangement works beautifully—to the entire satisfaction of both parties. The Dresdner Bank is so strong that there can be no serious question about there being either insufficiency of funds or inability to employ such. It is the strength of the Apex Institution that assures the societies.

Now such an arrangement would probably meet the requirements of the Indian Movement very well, supposing that the proposal to create an independent Apex Bank—such as one may assume, on grounds of what has become known, the Imperial Bank would be ready to deal with in a friendly spirit—just as the Imperial Bank of Germany in former time, before the arrangement between the Schulze Delitzsch and the Raiffeisen Unions with the Dresdner Bank was concluded, willingly dealt with the last-named body. Mr. V. N. Mehta, manager of the Bombay Provincial Bank, in effect made a suggestion of something of the kind at the 1926 Conference held at Bombay. But then it will have to be borne in mind that India is considerably larger than Germany, and has as yet not nearly the same easy means of communication that Germany possesses. It is impossible for me to judge whether that bigness would be a fatal hindrance.

As regards the strength of the institution selected to

serve as balancing centre, apart from the giant amalgamations in the banking world, which have characterised the latest period of banking history, and have been found greatly to increase the power of capital, I think I might quote the example of our British Co-operative Wholesale Society's Banking Department, which has by its growth become a tower of strength to the Co-operative Movement, enabling it to spread out its institutions in a truly wonderful manner, acquiring more and more, and larger and larger possessions, such as its capital, divided among a number of institutions could impossibly have made its own. Just as nothing succeeds like success, so does nothing beget riches like riches.

At the same time the apprehension that by the creation of an Apex Institution active Provincial Banks would find their occupation gone and be cast hopelessly in the shade appears to me, with my knowledge of what has happened elsewhere, altogether unfounded. The Apex Bank could not absorb provincial business. Quite the reverse. There is every reason to anticipate that it would greatly stimulate it by means of the greater utility imparted to the movement as a whole. As the body grows in strength, so every member of it becomes likewise stronger.

Nowhere, surely, is Union in Co-operation more required than in India. One may hope to see "Unions" growing and multiplying—but it must be Unions for Inspection and Supervision, for Common Counsel, Discussion and Propaganda, clustering together, let us hope, in larger Unions still, so as to form in course of time a veritable Co-operative Commonwealth. And one may hope, likewise, to see the Indian Co-operative Movement suitably interconnected by strong links, so as to represent a powerful national financial body, capable of rendering all the necessary and desired service

## VII

### MORTGAGE CREDIT

FROM the very earliest days of the Co-operative Societies Act being in force the question of the possibility of applying its principles to a reorganisation of Mortgage Credit has been on the tapis. I know this because inquiries have been repeatedly addressed to me and my advice has been asked. Mr. Fielding was the first to approach me on this matter. In his province of Burma, amid the perfect freedom from hindering custom or law prevailing there, the Co-operatisation of Mortgage Credit, if anywhere, ought to be comparatively easy. Once Co-operative Credit for ordinary current working purposes had proved successful, quite naturally the keenness to apply the same method to the mortgaging of land grew more and more pronounced. We have found the question discussed with unmistakable interest at more than one Conference ; and at the present moment there are several schemes for devising a suitable method on trial, respecting only one of which I am in at all full information.

What the precise trouble is for which it is desired to discover a remedy, it is not quite easy to discern at a distance. We know that there are such abuses as Usufructuary Mortgage, which means practically nothing but fastening a noose round the hapless landholder's neck and drawing it continually tighter, till the popular French proverb comes to be verified, to the effect that the mortgage sustains the landholder as the rope sustains the hanged man. But as for particulars of this kind of abomination I have found my search utterly fruitless, even when applying to the reputed highest authorities on Indian law in London.

However, there are other forms of mortgage loans, which are probably not much more equitable. For mortgage credit is being abused all the world over. And such acts

of legislation as that embodied in the Punjab Land Alienation Act seem to prove that land stands in need of protection against practices which only too readily lead to rapacious foreclosure. Hence evidently the desire to introduce some new form of lending money on the security of land, less hurtful to the borrower and more equitable. But here, on the other hand, is the present Registrar of Co-operative Societies in the Punjab, Mr. C. F. Strickland, writing in a Report presented to the ninth Conference of Registrars that, owing to "the inflated price of land," there are mortgages in use, the interest on which amounts to no more than 2 per cent. Co-operation could not pretend to better that.

Now, assuming that the object aimed at is to provide for owners of land, more particularly owners of the humbler class, who know not the law, but whom, with the help of their better knowledge of it, mahajans make it a practice to fleece, a more equitable method of raising money on mortgage, certainly Co-operation would seem to be a principle to which to appeal with a prospect of discovering the right way. Indians have no doubt heard of European systems of mortgaging, which are fair to the borrower, helpful instead of ruinous, and more or less co-operative in character. However, in India it would appear that there are particular obstacles rendering the problem difficult. It is not that in comparison with what one sees dealt with on co-operative lines in Europe, the smallness of the vast majority of properties to be mortgaged should constitute an insuperable hindrance. Of course that fact must create some difficulties, because it greatly multiplies processes, adds in a proportional degree to the costliness, and renders control more difficult. However, that trouble might be got over. The greatest difficulty to overcome, so it seems to me, must be the essential difference prevailing between Indian and European laws and customs. On this point the Indian Industrial Commission, which sat from 1916 to 1918, under the chairmanship of Sir T. H. Holland, has made the following declaration: "These difficulties are said to lie, first, in the trouble experienced in obtaining a good title, in view of the complicated system under which land is held in certain parts of the country, especially in Bengal, and in the absence in some provinces of an authentic record of rights; second, in provincial laws, designed to prevent the expropriation of

tenant interests." We see, then, that Land<sup>c</sup> Alienation legislation has another side to it, telling to some extent against the owner.

The title is apparently the great point. Whoever is asked to accept a pledge will want above all things to know for a certainty that the object to be pledged is *bond fide* the pledger's property, which the pledger accordingly has a full right to dispose of as a security at his sole pleasure, and with no co-proprietor's right coming in later on, as by the birth of a son. There must be no question of that property for the time in the pledger's hands in reality belonging to some defunct relative or some deity. In the European countries where co-operative mortgaging is in vogue the title is everywhere registered as having been absolutely established. The same thing applies under what is known as the Torrens system in force in Australia and in parts of Canada, which is found to work exceedingly well. Under such conditions there can be absolutely no uncertainty as to the person of the owner and his full right to pledge. The entry in the Register tells the boundaries of the property, its size, it records any burdens resting upon it, and so on, so that a transaction of mortgaging may be executed by a stroke of the pen, and there can be no doubt whatever in matters of business or the law.

The prototype of all European Co-operative schemes for mortgaging, adapted more or less according to the differing circumstances of each country in which they have come to be introduced, is the Prussian *landschaft*, which, although in some respects in its original form clumsy and overweighted with cumbrous and now anachronistic and needless privileges granted—which have in subsequent applications been in great part done away with—make the main principles on which the system rests, perfectly clear.

The Prussian *landschaft* was introduced by Frederick the Great, after the close of the Seven Years' War, by which he had wrested the province of Silesia from Austria. The long war, fought out mainly in the province mentioned, had naturally exhausted it and left landed property—with Agriculture as the main interest of the province—in an impoverished condition. To propitiate the large landed proprietors, who formed the ruling class in the province, by that most effective of favours, financial help, Frederick

endowed them with powers to constitute themselves a society pledging their land *collectively* with the help of certain rather overstrained privileges, which made the security so created safe and therefore negotiable. They were authorised to issue bonds, to be current in the market, for which they collectively accepted the full liability, affording at the same time good evidence of the value being absolutely secured. They had their own valuers, landowners, members of the society selected from among themselves, answerable to the Board, which was endowed with ample powers of control, going the length of power given to it to foreclose without legal process. In their own interest the *landschaft* made those valuations very low, limiting, moreover, the credit to be allowed to only half the supposed value of the property, with permission to add at their discretion one further sixth, so as to make the entire advance one of two-thirds. They also stipulated for gradual repayment, spread over a long series of years, and capable of being interrupted by renewal from time to time.

The valuation is made so low that, even with the addition of the fourth sixth, it now reaches barely one-half of the selling value of the property, and accordingly it is very usual for landowners seeking credit to apply to others, capitalists or capitalist mortgage banks, willing to go to a further length, in order so to obtain additional credit. But at the time when the new source of credit was first created it was accepted as a great boon. And a boon it was, not only to the landowner seeking credit, who moreover—and that was a prime point—obtained in this manner credit which was not withdrawable so long as he paid his interest and avoided deterioration—but also to capitalists, to whom it opened a market for valued investment, so acceptable that not only did it soon come to be regarded as absolutely safe, as safe as Consols, but at certain times even of greater value as giving the safer pledge. The country's credit might go down, as a result of war or of political crises; but the pledge of the land, valued at a purely agricultural rate, would remain.

• This institution of the Prussian *landschaft* has been much copied and adapted. The arbitrary powers granted have been reduced, the unlimited liability of members with the whole of their property—accorded at a time when limited

liability was still unknown—has been done away with, the limitation to large and privileged properties (*rittergüter*) has been abolished; peasant holdings have become as freely pledgeable as squires' estates, to which at first the use of this practice was limited. And in other ways the system has been modernised. Its benefits are generally recognised and appreciated. But so also have its limitations. And since landowners, like other borrowers, often enough desire more liberal terms, and since, in addition, business men have found means of reducing the expense of valuations and the rest of it, by modernised methods, a very active business has sprung up by the side of the *landschaften* and their congeners in the shape of mortgage banks, working for profit, which, however, is kept very moderate; for it rarely exceeds six or seven per cent. In some countries—for instance in Switzerland—such commercial mortgage business has been developed to a high point and democratised to such a degree that mortgages are taken up for very trifling sums.

Now in India in the present day the problem of mortgage credit is an altogether different one from that which Frederick the Great had to deal with. Not only is land already freely mortgaged, but it is mortgaged to such an extent and in so over-restrictive a manner that it represents an established institution with very sore spots in it. The legislation passed against Land Alienation shows how acutely the mischief has come to be felt. What accordingly is wanted is, not to make land mortgageable, but to find a method of mortgaging it, which will make the debt bearable, until by steady repayment it has been got rid of altogether. Co-operative Credit has shown that it can render such service in respect of personal credit for current purposes. Then why, so it has been asked, should it not be found capable of reforming credit by mortgage, and turn the blood-sucking mahajan out of his citadel, as he has been driven out of the outer fortifications?

Now, frankly, the answer to this question is not an easy one. Co-operative Credit societies have been asked to accept land as a suitable security and have here and there done so. However, that is a very risky proceeding, which has led more than one credit society in Europe into serious difficulties and even into bankruptcy. There is not one

recognised authority on Co-operative Credit, which does not make a special point of warning all engaged in co-operative credit against such practice, which at its best locks up money for longer than in all probability it can be spared, and is apt to do very much worse. Land is, as a matter of fact, here and there accepted as a security to a very moderate extent—as a rule only as collateral security. But it is recognised that even this ought not to be.

Accordingly some new organ for practising the desired form of credit will have to be found.

And, so far as one can at present see, that form cannot be precisely the same as that which we find adopted in the *landschaft* and its adaptations. For in India the very fundamental condition for that form is non-existent. Under the *landschaft* system land is readily pledgeable, because there is a clear title, showing all the delimitations of the property, and all is officially registered under compulsory registration. The identity of the property pledged is therefore indisputably indicated. And so is the title. There can be no dispute on either point. Now in India, as has been already shown, on the authority of the Indian Industrial Commission, at the very outset of the matter we do not know precisely where we are. It is for Indian lawyers to discover whether this primary difficulty about the "title" is to be got over.

Supposing that this hindrance can be mastered, there remain other difficulties which undoubtedly want to be considered, but to which up to the present scarcely sufficient attention appears to have been paid.

Supposing the title to be good, how about the valuation? The *landschaft* has, for its own use, drawn up very stringent directions, and German mortgage banks, just like the French *Crédit Foncier*, proceed in the matter on similarly cautious lines.

The same as in every business taken up co-operatively, the first precept imposed is this, that all avoidable risk is to be scrupulously avoided. Land has its ups and downs like other values. We have had telling experience of that in England quite lately. And elsewhere, in Italy as well as in Germany, mortgaging corporations, co-operative as well as capitalist, have come to grief on this point. The *landschaft* will allow valuation only on the basis of purely

agricultural value, rated on a very conservative scale, so as to disappoint not a few would-be mortgagors.

And, once more, supposing the point of valuation to be settled, how are we in India to guard against deterioration of the property—such as is in England not unknown in the case of house property, some of which is deserted in so deteriorated a state that it means loss to the lender, besides sometimes the keeping of a white elephant. Both *landschaft* and mortgage banks are extremely careful in adopting precautions. There are periodical inspections and very strict rules. And, as observed, the *landschaften* are, in certain cases, permitted the privilege of foreclosure, precautionary or otherwise, without legal process. Are we quite sure that in India there will be no deterioration—wilful or simply careless—once the money has been received? If not, how are we to provide against such a contingency?

The property to be dealt with, so I take it, is to be chiefly small holdings of raiyats, now the prey of unscrupulous mahajans, with their bewilderingly large number of petty holdings. The large landowners will be able to fend for themselves.

Now, that complicates the problem very greatly. For land is not a value to be dealt with, say, like agricultural produce, or chattels, which may be left locked up or otherwise secured without fear of loss or spoiling. To deal with such property as *landschaften* or capitalist mortgage banks deal with estates in Europe would require an immense personnel, much larger than Sir D. Hamilton's proposed host of "organisers" and "teachers."

These difficulties, and others dovetailing into them, have very excusably suggested that the organised host of co-operative credit societies as we now have them, should be made available for the new service. Who could, so it is asked, know more about the value of the properties to be pledged than the pledger's immediate neighbours? And who could watch better over the keeping of those properties in proper repair? Why not avail ourselves of these easy aids to our work?

The proposal to employ the present co-operative organisations for the new desired service has been supported by the argument that the said organisations at the present time hold an actually embarrassing amount of accumulated

treasure. Here, so it is said, is an ideal employment ready found for those troublesome crores. Co-operation should help Co-operation, should it not?—more especially when such help means also convenience to itself.

Now that attractively specious reasoning contains within it, apart from a grave ignoring of ordinary business principles, from a co-operative point of view, two hopelessly bad errors. In the first place, the credit societies formed for the giving of personal credit for comparatively short periods are hereby asked to sink their money, every pie of which may be asked for any day, in an investment of unknowable duration and of rather doubtful security. That same path of improvidence has been trodden in a less serious way by very important co-operative unions in Europe and has led them, in some cases like a bolt from the blue, into grave loss and even ruin. "Banking is an easy matter enough," so a great English banking authority has laid it down in an oft-repeated saying, "once you know how to distinguish between a bill of exchange and a mortgage." But here are crores to be sunk in mortgages of, at present, certainly rather doubtful value. By all means let us avoid such a false step. Invest that worrying overplus in whatever you like, outside the movement, if it must be so, in such manner that you retain a trustworthy control over it and can call it in when you will want it.

As for the employment of the credit societies already existing for this new service, allow me to ask a question: Has that organisation indeed been found in its present practice so effective and so trustworthy that you could without hesitation thrust new duties upon it—of, let me point out, a very delicate nature? For, apart from the point already spoken of, the locking up hopelessly of money which you may want for current purposes, at any rate you want your money to be absolutely safe. But, now, what is it that we complain of most in respect of our present credit societies? That their members fail to realise either their responsibility or their rights, that they allow the thing to run on in its own way at haphazard, and that their chief peculiarity in the matter is that they are very careless about repaying debts.

Next, what security have we got for their either making the valuation of a property belonging to one of their neighbours with conservative caution or for their watching over

that same neighbour in the maintenance of such property in his creditor's interest? They are the debtor's neighbours. They know him and his property well—maybe also his debts, certainly his way of living. But looking, as they do, at the service rendered by their present society—for every pie in the employment of which they are, without realising it, personally responsible—as a benefit coming from a *sarkari* source, are they likely to give you a valuation, and maintain a watch over that neighbour—even apart from the possibility of backsheesh—that will keep you safe? They may some day require the same good service from him that they are now asked to render.

If you want to do mortgage business, you must have money kept separately for that purpose, and you must have officers to serve you on whom you can implicitly rely. Above all, in the interest both of your proposed new organisation and of that established in 1904—which is by no means out of danger, but still requires very careful and cautious handling—you will have to abstain scrupulously from interlocking the one with the other.

The idea of employing local credit societies or their members in the service of a mortgaging organisation running by the side of it is by no means new. A similar arrangement was made to the Raiffeisen Union in Germany some decades ago. "We will find the money," so the argument went; "but you, with your knowledge of the landowners and their properties, supply the valuation and the supervision of the mortgagor." Nothing was said about any responsibility to be undertaken along with the service. No more about any remuneration to be allowed. But, evidently, without responsibility—especially in the case of one neighbour watching another—both valuation and supervision must be without value. And at any rate a moral responsibility would come to be understood, and anything going wrong would reflect upon the credit society and cause direct or indirect loss. These things were so plain that the Raiffeisen Union very promptly answered with an emphatic "No."

While I am writing, by a curious coincidence, I receive the report of a very important meeting of representatives of all the great German co-operative credit organisations, held at Berlin in February last, on the invitation of the Co-

operative Section of the Board of Directors of the Dresdner Bank. There it came to be mentioned that, during the recent exceptional tightness of money following upon the War and the "Inflation," cases had occurred of credit societies or People's Banks guaranteeing mortgage loans in support of members of theirs, raised from mortgage banks. As was to be expected, such practice was mercilessly condemned with unanimity by all authorities present. That surely ought to serve as something of a warning to Indians bent on security-entangling schemes.

Evidently any co-operative mortgage banking practice to be established in India will require very careful organisation of the machinery by which it is to be worked. For all depends upon the character of such work—always supposing that neither law nor custom stand hinderingly in the way. Once it is found to answer—seeing what the results have been in European countries—there are likely to be very satisfactory demands for loans and also for mortgage bonds. There will have to be very minute inquiry and safeguarding, which points cannot be lightly treated.

As for the supply of funds, the State has been appealed to. Of course it is a matter of interest to the State that the scheme should prove a success. In the Punjab the Provincial Legislative Council has already actually given its direct help, if not in cash down, still in the equivalent of cash, that is, a guarantee of interest (at the rate of 6 per cent.) on bonds or debentures actually issued, up to the amount of 20 lakhs, for the space of twenty-five years. There would seem to have been advances in cash as well. For the 5 lakhs actually paid to the bank for debentures have, so it is stated, been "used for what was owing to the Government." Now I must confess that, common as it is to look to "the State" for subsidies or advances, I cannot regard the State as at all an ideal "*bailleur de fonds*." There has been so much State kindness thrown away, spoiling, instead of benefiting, the thing that it was intended to help. Its benevolent interference in such a matter reminds me forcibly of the barefaced declaration made by the chairman of one of the French "regional banks" deriving their support from the State at its annual meeting: "We do not expect that the State will ask for its money back." There is already too much *sarkari* colour about Indian Credit

Co-operation! The debentures, once they come to be regularly issued, on sound principles, ought to be good enough to stand on their own merits. The security should be recognised as thoroughly sound. We have plenty of European experience in support of this.

One point in the business which is apprehended to prove troublesome is the actual *issue* of the debentures. For this purpose it appears to be held that in some shape or other brokers will have to be employed, and naturally for such purpose eyes are expectantly turned in the first instance upon the Provincial Banks. However, it does not appear that otherwise Provincial Banks are to have a hand in the business or to derive a benefit out of it. And of course, having their own burden to bear already, they should not have that burden needlessly increased. I have met with no proposal that the intended debentures should be "Provincial Debentures." The security being good, could not a number of public-spirited capitalists be induced to give their services by combining to form a kind of "trust," taking up debentures when issued, in order to place them on the market? There need be no loss on this, if there should be no profit. When private interest is enlisted in such a matter, we may be sure that self-interest will lead the parties engaged to apply very careful control, see that valuation and the rest of it is all right and all is made as tight as a drum. Where it is the State which is to see to these things, there cannot be the same careful control. For the rules laid down by the State are bound to be formal and wanting in elasticity. Either they will be loose and therefore easily evaded, and then the business cannot succeed. Or else they will be too strict and inelastic—as they were in Napoleon the Third's well-meant but hapless *Crédit Agricole*, which had to give up its proper task, just to find employment for its idle money.

As observed, several schemes for the actual formation of Co-operative Mortgage Banks have already been prepared, and one or two of these have been put to a practical test, which appears for the most part to have proved unfavourable. Thus, in Burma—where, with fortunately no adverse law or custom standing in the way, operations should be easiest, and where there is now a Bill specially dealing with the formation of Co-operative Mortgage Banks before

the Provincial Council—two co-operative mortgage banks actually formed are reported by the Registrar to be “moribond.”

The only scheme of which I have particulars is that prepared by Mr. C. F. Strickland for his Province of the Punjab. Mr. Strickland has evidently studied the question with care, and on several important points he has doubtless judged rightly. Thus, he lays it down, correctly, that the members of the society to be formed must be only landowners offering their land for security, and making themselves responsible for the full amount of its value. Also his limitation of the district for the working of one society, that is, one *tahsil*, composed of about 500 villages, seems well judged. However, the *tahsil* debentures are to be placed on the market by the Provincial Bank. But there appears to be no idea of combining the various *tahsil* societies to one Provincial Union, which would make itself collectively responsible. Experience must show if a *tahsil* society will carry the proper weight for capturing for itself a sufficiently strong place in the market. In Europe, where the business was begun on a small scale, that is, with minute districts, the sale was found to be greatly improved by the grouping together of small district societies to provincial unions. The mortgage is to be charged 9 per cent. interest on the loan, which is made repayable by “non-equated” instalments. The debenture is to carry 6 per cent. interest.

Nothing is said about the method of making the valuation or about safeguards to be adopted against the deterioration of the property pledged, except that Mr. Strickland has “in his inspections tried to impress upon the Directors of the Banks the need of strictness in the valuation of the property.” But these are really the two most important points in the whole business. Certainty that the valuation is just and conservative, and that no deterioration can occur, will absolutely ensure a sale. The Prussian *landschaft* has its well-defined and well-understood rules upon both points, in addition to extraordinary powers for their safeguarding and has in this way means to satisfy the market.

On the other hand, Mr. Strickland stipulates for particular safeguards of a personal order in respect of the character of the mortgagor—who may in his possession of the property be replaced any day by a man not at all

bound by that testimony. In the first instance the mortgagor is called upon to find two sureties answering for him. Beyond this, he is required to show that he is a member of the co-operative village society of his village. And, on the top of that, he is to obtain from that same society, for his backing with the Bank a formal guarantee "up to a maximum of Rs. 1,000."

Now, that is mixing up two things which have absolutely no connection with one another. And it is not an arrangement which would appear to have any recommendation to either of the societies to be concerned in the business. For the Credit Society giving the guarantee may be wound up or else struck off the Register before the guarantee becomes exactable, or else the Credit Society may be unable to meet the demand. In this way the whole guarantee by which so much store is set would become an unmeaning farce. And then, the Credit Society, giving this guarantee, is to receive nothing in return for its service and will therefore have no inducement to perform it conscientiously. Within the Credit Society in all probability this guarantee would after a little while come to be wholly ignored or forgotten by the members, and so there would be no assets kept to meet a demand. Should the demand for payment come, it would then come as a bolt from the blue and finish the society.

The reason given for this remarkable condition in truth of itself condemns it. For the obligation pressed upon the society is "intended to assure for the Mortgage Bank the assurance that he [the borrower] is a man of honest character and that his future conduct will remain under supervision." That means that the society is, without recompense, to take upon itself the work which is plainly the Mortgage Bank's business. However well otherwise the scheme will be judged, one cannot approve of such a condition.

Really, one cannot help wondering how so simple a principle as is involved in the problem should have come to be so little understood as it is among Indian co-operators bent upon having Co-operative Mortgage Credit. For Mr. Strickland is by no means the only deviser of a scheme to have fallen into this error.

There are two kinds of lending. You may lend upon the security of a pledge. And then the pledge will have to suffice to you for security. You need not look beyond.

The employment of the loan does not come into account. You have your pledge, which you have concluded to be of sufficient value. The character of the borrower does not matter. You cannot attach that. The duration of the loan may be fixed at any time that will suit the two contracting parties.

Or else you may grant a loan on personal security. In that case the loan will be distinctly to one particular person. The security given will have to be in part the particular employment given to the loan approved by you, and in the second place, the character of the borrower. Provided that the employment of the loan is approved as promising a profit, that you are satisfied with the borrower's character, and that the loan is made for a comparatively short period, you are likely to find yourself equally safe.

But the two things will not bear mixing.

Let us assume for a moment that Mr. Strickland's scheme is accepted and follow the course of the operation.

The credit society, so we assume, accepts the borrower as a member, gives him a good character, and assents to the proposed guarantee, all which the lender accepts, evidently being quite satisfied, not only that all the testimony given is good, but also that the guaranteeing society will certainly outlive the duration of the debt, and will at all times be in a condition to pay. For otherwise its guarantee must be worthless.

Now, on the credit society's side—The guarantee will of course be given by the *panchayet*, but it will bind the members.

After all that we have heard said about the conduct of the *panches* it is refreshing to find an experienced Registrar assuming that they are to be implicitly trusted with this delicate duty.

But how will the members take it?

Here is their liability disposed of over their heads. Are they to be still free to withdraw from the society? In that case the liability resting upon the remainder will become all the heavier. Or must they needs remain members of the society? How will you enforce that? In either case what effect will the act of the *panchayet* have upon the society? Will the liability imposed prove an attraction to new members to join? Or, will it not rather tend to weaken the society and to frighten members out?

Or else, must the consent to the guarantee be given explicitly by every member? Is there much chance of that being done?

And how about members leaving the society while the guarantee is still in force? Are they to carry their share of the liability out with them? How is that to be apportioned? And how is it to be enforced? Then, where is the value of the guarantee?

Now let us look on the borrower's side. He has his two sureties. He has his society's guarantee. To what is he bound by that? Suppose that he is sufficiently well watched to prevent deterioration, is he debarred from dealing with his property, say, by sale? It may be said that, should he propose to sell, he will first have to pay off his loan. But how will you make him do that? Or is he debarred from taking up a fresh mortgage on the top of the one from the mortgage bank? That was the rather notorious Herr Kapp's proposition—the royalist conspirator who for a brief day proudly styled himself "Imperial Chancellor." He was the chief Director of one great Prussian *landschaft*. But he proposed the condition with a view to getting rid of mortgages by gradual amortisation. And landowners did not relish the idea of such restraint.

The valuation for the mortgage bank, so we shall have to assume, will be low. Accordingly there will be plenty of pledgeable value left in the property. In Europe it is quite usual for the landowner to take up one, two, or even more fresh mortgages on the top of that of the *landschaft*. Like him, our raiyat may be wishful to raise more money while he has something to pledge. And there may be a wily mahajan to scent "business," which will lead to a foreclosure for his benefit. Then, what would be the effect of the society's guarantee?

Or, let us suppose that none of these things happen. But surely, the mortgagor may be called to his long home. Then, of what service is the guarantee? It is personal, and so cannot bind the heir or the new owner. There may be several such. In such case, of partition, how deal with the guarantee? The debt remains.

Different things want to be dealt with in a different manner. And here is an essential difference. Taking a pledge you want to see that your pledge is good and sufficient,

and to be therewith content. Co-operative Credit, as we have hitherto known it, was, as all known authorities on the subject have taken trouble to explain, resorted to expressly to provide credit for those *who cannot provide a pledge*. Hence it is purely personal. Its personal character gives it its peculiar elasticity, its availableness for a large number of purposes, its utility, as not placing pledgeable articles out of use—besides its high educational value. Let us keep it to its personal character and avoid spoiling both it and the other form of credit by attempting to blend them.

Seeing how eager and widespread—over all India—is the desire for a well-devised method of Co-operative Mortgage Credit—which argues a real necessity for such a measure—and the readiness of Provincial Legislatures to consider schemes dealing with the subject, one may hope that some good plan for achieving the desired object may soon be found. It is not for one ignorant of Indian law to suggest such a plan. But an experienced co-operator may presume to offer the suggestion that it is essential that any scheme to be approved must keep the pledge credit of the mortgage distinct, being made thoroughly self-sufficient, and not allowed to branch over into personal credit, which could not answer any good purpose and that, to attract mortgage money, the scheme should contain such provisions and confer such power of supervision in respect of both safe and just valuation and proper control of the debtor as to fully safeguard the lending interest. Once that condition is secured there need be no fear of miscarriage.

## VIII

### NON-AGRICULTURAL CREDIT

IN a country, the overwhelming majority of the population of which supports itself by Agriculture, it was not to be expected that the non-agricultural form—so to call it—of Co-operative Credit would develop to anything like the same extent, or make its way as rapidly as the agricultural. I accept for the occasion, for convenience sake, the officially approved distinction between “agricultural” and “non-agricultural” credit, although it is apt to mislead, and has in point of fact in India led to some little confusion of ideas—just the same as has that between “rural” and “urban” improperly introduced from France. There is just so much justification for the distinction, that that particular form of Co-operative Credit which has rightly been generally adopted for practice among the rural population is practicable only amid rural surroundings, inasmuch as, together with a smallness of membership, such as it would be difficult to maintain in populous centres—where, moreover, it would be out of place—it requires as precedent conditions general fixity of the population on the soil, such as is only to be met with of a certainty in rural districts, and very close touch among members, such as likewise is an exceedingly uncertain quantity elsewhere.

However, that does not imply either that the other form of Co-operative Credit known is not applicable also amid rural surroundings or for agricultural purposes, where circumstances may make it recommendable; or that only persons agriculturally employed should form part of that form spoken of as “agricultural.” Country districts have their artisans as well as towns, to whom presumably credit would be a boon, but who would not by other means than that of joining one of the agricultural credit societies have access to it. And it is not by any means the occupation of

a man which marks him out as a fit user of either one or the other form of Co-operative Credit, the distinguishing feature forming the dividing-line between which is the form of liability selected. There is in practice too much distinction made between different callings. In truth, it may be accepted as a general rule in Co-operative Credit that the more mixed is the component membership, the broader accordingly is the basis on which wants and available resources are made to meet and balance one another, the more stable and the more easy to manage will the society be. A telling instance of this, specifically with respect to the Raiffeisen type of organisation, which is so generally accepted in India for rural districts, occurred some time ago in the Alpine district of France, in Louis Durand's "Union of Rural and Working Men's Societies," organised on pure Raiffeisen lines. The farmers organised were owners of herds which are annually replenished to some extent with the help of borrowed money—and driven up on the Alps for their summer pasturing, to come down again for wintering in the autumn, when the culls are sold. These farmers were all good men. However, their business requirements were such that at one season deposits would come in from them in embarrassing abundance, whereas in other seasons money was asked for—to buy cattle with—beyond what the society could supply. Durand induced the Alpine societies to broaden their basis and take in others besides men of their own calling, which move at once rectified the matter, and created a balance.

On the same ground it is not desirable that as a general rule one-class credit societies should be formed. What we meet with of this sort in India—namely, societies composed exclusively of members of a public or municipal service, or of one or other industrial or commercial establishment—is indeed quite justifiable. There is, in truth, not a little to recommend it where circumstances are favourable. In Great Britain we have found societies of this sort in the public service exceedingly useful. Thus in one prosperous Civil Service Provident and Credit Society I found that, thanks to combination among members, advances might be obtained from banks by pledging *the very same securities* at a very considerable reduction of the rate of interest to what had been demanded for advances to an individual. It was a matter

of 5 or 6 per cent. difference. The pledge here referred to was good securities such as well-established railway debentures. Administration of such societies is easy and risk is infinitesimal because, in view of the position of the members in the public service, in which they are on their good behaviour, so that bad conduct might mean for them "the sack," compliance with the duties undertaken is readily enforced. The rendering of such is not absolutely as certain among men in employment in factories and commercial houses. However, in the case of such men likewise there is still a moral pressure from colleagues to be relied upon with a fair amount of confidence, to hold them to their duty. In India, unfortunately, the same condition of things does not appear to obtain. For we have it on evidence that, at any rate in some cases, members of the *kutcheri* have been found distinctly unreliable repayers. "They will not repay," as one witness has put it. That ought not to be allowed to continue.

The point mainly to be borne in mind is that a varied composition of membership, implying a variety of wants, asserting themselves at different times, and bringing back money at correspondingly different times, is really the ideal condition of a credit society, whether it be rural or urban. Convenient disposition of ebbs and tides of money, dividing these so as, as nearly as possible, to make them balance one another, is a standing rule of all well-managed financial establishments, and should be observed as such also in our credit societies. There is evidence to show that in India or elsewhere those inconvenient alternations of ebb and flow occasioned by the seasons can be brought near to a state of balance.

I have thus far referred to only one form of Co-operative Credit, for which rural surroundings are imperative, and which accordingly has gained a sure footing in India on rural ground. The other form, based on limited liability and shares, is, however, equally applicable anywhere where conditions are otherwise favourable. To quote instances, I have seen more or less orthodoxly formed Raiffeisen societies in country districts in the South of France deliberately turn themselves into Luzzatti banks because local people somehow would not take to the Raiffeisen system. Something of the same sort is now going forward

in Ireland. The Raiffeisen system has there rendered admirable service. However, to a certain extent it has done its work. People who have profited by it are better off now, and can afford to take up shares. Their business also has become more brisk. Their borrowing is not only once in a long while and for a "dead" loan running for a long period. It is frequent, and much of it for short periods. Accordingly in such districts people are now turning their thoughts to the formation of societies more or less on the Luzzatti pattern.

Non-agricultural Credit, then, as observed, in the early days of the movement found its way into Indian economy mainly, although not exclusively, in the shape of single-employment societies, above all, clerks' and employees' societies. We read, then, also of societies formed among small tradesmen and jobbing working folk such as ekka-drivers, ubbarvuri, salt-loaders, fishermen, scavengers, sweepers, rickshaw wallahs, etc., some described as "the most degraded class of wage-earners." All this business struck me, writing at a distance, as rather of a provident than of a co-operative character, representing an employment of money laid by in the shape of deposits for loan purposes rather than what the Americans call "merchandising with money" for productive purposes. All this is not only legitimate, but perfectly proper. And we find a deal of it in operation abroad—more particularly in Italy, under the shadow of M. Luzzatti's influence, where employees, schoolmasters, members of the musical profession and similar categories of persons club together, as in Slate Clubs or Loan Societies, to assist one another, making the economics of all subserve in turn to the wants of any particular one who may stand in need of such help. But such collaboration does not produce much of a productive force; it has not much economic effect upon the country; it does not stimulate trade; and its educative effect is next to nil. And, seeing what prodigious results co-operative banking of a non-agricultural character carried on on a bolder scale has produced in Europe—more particularly in Germany, Austria, and Italy, where the movement is strongest—one cannot help thinking, with the late Lord Carmichael, who has publicly expressed himself to that effect, that in a country like India, which for the moment is not over-banked, but in

which industrial effort has actively roused itself and is manfully struggling upward to shake off its fetters and become a useful national force, sooner or later pushing small trade and small commerce, should discover the substantial assistance which is to be got for it from Credit co-operatively organised, so as to place those funds within reach of the striving workman, without which he cannot hope to succeed, but which now he cannot obtain the free use of for want of capital of his own to serve as guarantee.

In truth, one cannot help regretting that thus far so very little attention should have been paid to this application of Co-operative Credit to non-agricultural purposes. I am sure that the Registrars are not in fault in this matter. Probably they could not, amid their many engrossing occupations, find time to do more. But it is painful to read what Mr. C. F. Strickland, Registrar of Co-operative Societies in the Punjab, writes in the *Agricultural Journal of India*: "The progress of all industrial societies has been hampered by the employment of the Industrial Inspectors in Agricultural Societies. . . . I think the position of the industrial societies would have been more satisfactory if the Inspectors had taken pains to learn the elementary principles underlying industrial Co-operation." That judgment, although severe, is probably not unjust. India does not appear yet to have quite got the "grip" of the industrial co-operative problem. Agricultural Co-operation has overshadowed industrial. And no doubt war-time could not be reckoned a favourable season for the development of industrial activity apart from ammunition-making.

Once more to quote the Report of the India Industrialist Commission, it says: "The provision of working capital for industries that have started is undertaken by existing banks, but few of these lend money on the security of plant and buildings, or reach the smaller industrialist who most needs help, even when he can offer personal security or a lien on actual goods. An extension of facilities to meet these cases would be of the greatest assistance to small and middle-class industrialists." Just the same as small Agriculture, without the use of Co-operative Credit, which secures cash to the honest and trustworthy worker who has none, such small trade—for the development of which there

appears to be almost unlimited scope—must be hopeless. However, we need not draw the line limiting the utility of Co-operative Credit too low down. There is plenty of trade, not of the cottage industry type, trade which does not—like the cottage industries—absolutely need to be organised for the prosecution of its calling on co-operative lines, to which Co-operative Credit would prove as great a boon as it has proved to the small traders of Germany—on the remarkable benefits produced in which country to this class Sir R. Morier reported in glowing terms to our first British Co-operative Congress in 1868, and the business of which now runs into crores and crores, and acts as a truly marvellously fertilising stream, moistening soil which not many decades ago appeared barren.

In the *Economic Review* of October, 1905, I called attention to the powerful effect which decentralisation of banking operations, to a great extent effected by means of Co-operative Banks of the type here spoken of, has had upon the economic development of Germany. We have seen the result lately, during the war, in the remarkable equipment and enduringness of German trade and finance under trial. There has proved to be enormous wealth accumulated in Germany—wealth produced by trade, much of it small—wealth not all lumped together in those giant establishments favoured by the State, which strike the eye and which produce manufacturer princes, but very, very much small trade scattered all over the country, distributed like rills of water in an irrigation system, which reach every furrow and bring grateful moisture and fertility to every plant. In the same way decentralised institutions carry the fructifying material of gold into millions of channels with millions of credits thoroughly mobilised—gold, as it happened then, drawn to a very large extent from our home country, and for which without such an apparatus for decentralisation we, lumping up all our cash in Lombard Street and Threadneedle Street, to our cost, had no use. I told the tale by the light shed upon facts in an official Report given by the Imperial Bank of Germany in its Jubilee publication, celebrating the conclusion of the first quarter of a century of its existence as an All-German institution, by the name of “Die Reichsbank, 1875–1900.” We had had no use for our money because, as I have said, we lacked the

means for applying it. So we lent huge sums to the Germans, who possessed such means—more particularly in the shape of their Co-operative Banks—and who turned it to excellent account for producing more German wealth—and fighting us with our own gold in our own industries. The fact that it was *our* gold which did the work, and the use of which we despised, is provided in the tale of the “Reichsbank” quoted.

Ought not that to be a stimulus to us to resort now at length to the use of that very same “perfected implement” which has shown its capacity for producing such veritable wonders? Concentrating finance in the sense of collecting its force as in a great reservoir supplied with channels through which water may be discharged and carried in millions of rills to the spots requiring irrigation and fertilising is an admirable thing. We ought to welcome and support that. It makes money go ever so much farther. However, its utility is absolutely dependent upon the presence of those distributing channels. You want to be able to draw upon that national reservoir. For there is no rice field which will be one whit the better off for the water remaining in the great reservoir. The water wants to be at the roots of the plants. Centralisation of possession wants to be balanced, and well balanced, by decentralisation in use. And in that application it is Co-operative Banks which decentralise most effectively and most beneficially, carrying the gold to just the points on which, in small trade, small agriculture and small commerce, it will fructify best and produce the largest results by operating at the base of the great social pyramid, where its beneficial power affects the largest number of social particles and becomes mixed to the largest extent with the second, quite indispensable, factor of production—intelligent labour.

It may also not be amiss to call attention to the use made of Co-operative Credit by traders in France, where—in the absence, practically speaking, of such active and powerful Co-operative Banks of a mixed composition as Germany can boast in plenty—co-operative societies of tradesmen have formed their own Co-operative Credit banks, to supply their member-societies with Credit. Co-operative productive societies are comparatively strong in France and take particular pride in their existence, which they trace

back to the time of the second Revolution. They do not turn out more work than productive societies do in Great Britain, but they enjoy greater prestige in the Co-operative World, because the distributive societies are not nearly as strong or as much in evidence as our British distributive societies. And the connecting-link being wanting, which has happily in our country brought societies of various forms into close fraternal fellowship, they form something of a co-operative world of their own. With plenty of "go" in them, these societies—some of which began with collaboration of labour only—from an early hour felt the need of credit, to provide the means for their carrying on independent business. Unfortunately Co-operative Credit of a non-agricultural character and of a general kind is very poorly represented in France. People are so much accustomed to look to "the State" for assistance, with money or otherwise, that private initiative shows little force and self-reliance is only weak.

When I say that in France Industrial Co-operative Credit is little developed, I do not mean to imply that on a reduced scale it does not render very useful services, which are duly appreciated by small folk. Artisans find them extremely serviceable in advancing them money for the purchase of tools or raw material and yielding to small folk the same grateful assistance which I have instanced elsewhere—the poor woman receiving there the money for buying the sewing-machine which will earn her her living; the hawker borrowing from the bank the money wherewith to purchase, by instalments paid week by week, the barrow in which he hawks his wares; the small silk-spinner, who pledges his cocoons while spinning his silk out of them, and more such-like. One would think that there ought to be room and scope for services of this kind also in India. But generally speaking in France, under the influence of habitual looking for spoon-feeding, all this is only little developed. Accordingly the pick of the French productive co-operative societies some decades ago made up their mind to face the matter and act for themselves. Both in Paris and in Lyons they have formed *Banques Ouvrières* (Working Men's Societies' Banks) of their own. The bank at Paris is by far the strongest. But that is in the main owing to the happy windfall of some Rs. 300,000 left to it

by a philanthropic gentleman of the name of Moigneu. The societies had not been able to scrape together among themselves more than about the tenth part of that sum. Their co-operative stamina have been not a little weakened by the financial assistance which of late years the State, for political purposes—since working men have votes, and the co-operative vote tells at the polls—has rendered them rather freely. But certainly they have found the services of their Bank a very substantial support in their various undertakings—some of them of a very ambitious character. It would have been far preferable, of course, if those societies had had powerful mixed banks like the German to fall back upon. They would have been in a position to do much more for them. And their self-help would have remained pure. However, they found the locker bare and had accordingly to look for bread where they could find it.

Quite of late the recognised urgent need of a Credit Institution, to further industrial as well as agricultural enterprise felt in France, has found practical expression in the formation of a "Bank of Co-operative Societies," as an independent institution, formed on co-operative lines, which, being endowed with a share capital of 14,265,000 francs, supplies Credit to co-operative societies, both industrial and agricultural. It has this Spring entered into its third year and appears to be doing a fair business.

Italy likewise has a tale to tell of progress made, prosperity achieved, by democratised, decentralised banking. A visit to its cities and townlets now proclaims the fact. But I will give here just one proof of the remarkable change brought about. Some years ago I was warmly interested in the "Democratisation of Consols"—which has now, under the pressure of the great needs of the war, been effected and has proved a decided success. At the time spoken of, however, all the world, except the late Lord St. Aldwyn, who distinctly supported me, objected. Even Mr. Lloyd George owned to me, as Chancellor of the Exchequer, that he did not see his way to getting over the difficulty of Income Tax. I then applied to the Italian Ministry of Finance, among other Ministries of Finance, in countries in which Consols were then already issued in small denominations and to bearer, for information on the results. The Ministry obligingly caused a special inquiry to be made. And the

result astonished it. It was found that issuing Consols in a form which made them accessible to the great public, including "the million," had, coupled with the means made available for earning much owing to the decentralisation of credit, resulted in a great change in the holding of the National Debt which, from being a claim predominantly held against Italy by foreigners, had become converted into an asset held for by far the largest part by Italians. The "million" had, with the use of decentralised credit, made money and bought up those Consols from the foreigner. It was a true word which Jules Simon spoke when he wrote : "*Le plus grand banquier du monde est celui qui dispose de l'obole du prolétaire*," which means, "The greatest banker of the world is he who disposes of the proletarian's mite." There is magnitude in numbers. It is drops which make the ocean.

While such grandiose results, which tempt the imagination, but are not purely its creation, remain in reserve for the future, there is ample useful work of a humbler but no less valuable description in store for industrial Co-operative Credit societies.

Talking of Co-operative Credit such as is adopted for industrial purposes, we shall have to bear in mind that Co-operative Credit organised for such purposes is rather a different kind of Credit from that which we are now familiar with from its application among rural folk. It rests on the same foundation. The underlying principle is identical. However, its practice is necessarily accommodated to its own environment. In the case of the small artisan or employee, who will need a small loan only occasionally for some exceptional, special purpose, the office and utility of the society remains much the same. And so should its mechanism remain unaltered. However, when we come to that small trade which ought to lead a busy existence, with money coming in and going out, to which a Co-operative Credit society is to serve as the commercial bank or the bill-broker does to the commercial man or manufacturer in a larger way of business, the case becomes essentially different. Such a man's credit business will not necessarily be as slow or as long-termed, as widely staged off and calling for as much patience, as the raiyat's. Such a man may want his money, be it in large amounts or small, far more frequently,

very promptly, cheaply, of course, but not for nearly as long a period. His account will, and ought to, be, what is called a "live" account. Now for such business the troublesome inquiry in each particular case into the object of each particular loan would be manifestly a crippling hindrance, and that not only to the borrower but also to the lending institution. And it is not necessary. To the small shoemaker or ekka-driver, or a similar artisan, it means nothing. In his case it is essential that there should be such inquiry, that the borrower should be specifically pledged to obey precepts, and that he should be watched, as a means of preventing abuse. To the busy tradesman it would mean a clog. And the committee which is to apply such interrogatory and exercise such minute vigilance is likely soon to wish the whole apparatus to Jericho. It will be enough if the managing body of the society can satisfy itself that the credit will be generally employed in the way for which it was intended, for productive and self-repaying purposes, with discretionary power left to itself, wherever a case may appear doubtful to it, to employ the more rigorous, inquisitorial process. That shows how much more important it is to have a properly constituted Supervising Council in such a society than even in agricultural societies. And one is glad to see that in Bombay Presidency, where there is an active organising power at work, a beginning has actually been made with the addition of a Supervising Council to the administering *panchayat*. In such connection indeed one cannot see how any really active society—or "People's Bank," as these societies have come to be called—can exist, for any length of time or without great risk of loss, without such Supervising Council, for which in truth there will be not a little to do, once the business develops as it should do. For in proportion to the business expanding, becoming more brisk, lively and varied, the office of the *panchayat* will become less discretionary and more purely administrative. In such connection the *haissiyat* will be fully in its place. And so will be the guaranteed cash credit—a cash credit running from year to year, secured, of course, whether by promissory note or otherwise, certainly by an adequate number of sureties—placing funds up to a certain figure at the disposal of the member—always provided that he fulfils all his engagements and conducts himself properly.

For in the case of misconduct or failure to fulfil his engagements, or to employ the funds borrowed in the proper way, the society must have means at its disposal for promptly stopping the credit. German Co-operative Credit Societies for this purpose employ promissory notes undated, drawn by the borrower, running on and on at the Society's pleasure. When they want to stop the credit, they simply fill in the date and present the note.

Now the preparation of the *haissiyat* cannot be the work of the *panchayet*, but wants to be given in charge to a body like the Supervising Council already spoken of, or else to a special "Committee of Credit," nominated for the purpose—that is, a body brought less into direct personal contact with possible applicants and in a position to judge of their merits at greater leisure, under less pressure of other work, in judicial seclusion. That shelters the *panchayet*. It makes things safer. And, indeed, as societies grow large—we have not come to that point yet in India—and their business, and the business of their individual members, grows, it will be well to have other records still of business besides the *haissiyat*—records of "risk," as the Italians term them—showing what has been the conduct of members in past transactions and also of their sureties, whether such be members of the society or not, in order that a judgment may be formed as to their presumable further trustworthiness. A society operating with such small funds as we must suppose a Co-operative Credit society to have at its disposal wants to be assured in such a way as it can, at all points.

The *haissiyat* should not be based, as appears to have become the custom in India, upon a man's actual possessions. That is the way in which a capitalist institution would operate. The co-operative institution wants to apply a different test: what is the man "worth" in point of character, what is his trustworthiness, as judged by his neighbours who know him, and also what is the volume and remunerativeness of his business? That is what Schulze meant by that peculiar term, which sounds so uncouth in English and which, I see, has found its way into Indian co-operative terminology, the word "creditworthiness" (*Creditwürdigkeit*). Only unfortunately our Indian translator appears not to be quite clear in his mind as to the distinction very carefully drawn by Schulze between

“deservingness” and “capacity for credit” (*Creditfähigkeit*). The man who is *creditfähig* (has a capacity for credit)—that is, possesses material qualities to entitle him to credit—is not necessarily also *creditwürdig* (deserving of credit). A man may be very poor and yet “creditworthy.” It is to determine the measure of his possession of that quality that a “Committee of Credit”—in certain cases a Supervising Council discharging the functions—is called upon to act. That is a very responsible office, requiring a knowledge of members’ positions and doings, not a matter to be dealt with offhand. (Wherever the district is large there may be local committees or local advisers to assist with their opinion and supervision.) The *panchayet* could not discharge that duty along with its administrative work. And it would not be fair to expect it to do so. The *panchayet* wants to be told in plain words, in such cases as are brought under the *haissiyat*: supposing that all appears to be square and in order, you are authorised to trust A, B, or C with such or such a measure of credit. Accordingly the Supervising Council wants to be elected with discrimination, so as to make it consist of men enjoying the confidence of members generally.

And, credits being dealt with in this more commercially businesslike way, the business done will also have to be more carefully reviewed than in the case of small rural credit societies, by the same Council. The larger the society grows, the more supervision and division of labour will there have to be.

The Act of 1912 appears to presume that Credit Societies of the non-agricultural order will be formed with limited liability only. And so do I. As for them limited liability is unquestionably the most appropriate form, especially if the shares be intended to be very small. Unlimited liability is practicable—as we see by its actual adoption and great utility in the majority of societies of the Schulze Delitzsch type in Germany and the smaller, but most powerful, *élite* of societies of the same type in Austria—and may offer distinct advantages. Only, when liability is unlimited in such application, you should have rather substantial shares, to make things safe. Schulze would not willingly allow shares under about Rs. 370, but preferred them larger still. As a matter of fact there are many societies in his Union

with shares down to about Rs. 225. But even that must appear to us a rather substantial figure. Shares there must of course be in any case, even where liability is limited.

In Italy, under M. Luzzatti's system—but it is really the law of the land which limits the amount—there are no shares for a higher amount than Rs 60. However, members may hold more than one share, up to fifty of that highest denomination. But I know an excellent small folk's society operating over a wide area with excellent results, which has shares of something less than Rs. 3—that is, 5 lire. Where there is less security given in the shape of capital, the measure has to be made up by caution in action and vigilance in supervision. There is no limit to operating districts necessary in societies such as are here contemplated, of the limited liability type—none except such as consideration for the convenience of the society management may prescribe. Limitation of liability does away with the necessity of limitation of district. And there is no occasion whatever for making members leaving the district to resign or else forgo the services of the society—which services ought, as things develop, to become equal in variety to those of any commercial bank. Umbrage has been taken to co-operative societies acting as “banks,” both in Germany and in Italy. But it is readily to be accounted for by the fact that when the Co-operative Banking Movement began in the two countries, in Germany there was a decided paucity of banks, and in Italy, if banks were not precisely few in number, banking practices were extremely behind time—a wonderful fact, considering that of all countries banking found its birth in Italy. However, so it was. In both countries the Co-operative Credit societies have been active and most useful pioneers of more modern practices, more particularly leading the way in Germany to the interconnection of banks at different points, which has since been so generally adopted and has paved the way for amalgamations, proving meanwhile a very substantial convenience for business.

It was the Co-operative Banks which introduced the use of cheques in Germany. It is they which began the mutual free collecting and advising business, so that a man may have his bills cashed free at some hundreds of other places and can learn about the trustworthiness of intending customers

at a far distance. There is now in fact no sort of banking transaction which the Co-operative Banks of this type will not exercise. In agricultural credit societies that would be wholly out of place. But in "urban" societies—so to call them for once—it seems right and fair. And there is nothing in it which need frighten larger banks, so long as such are prepared to do the same thing on their own larger scale, since in India certainly—just as in the United Kingdom—Co-operative Banks could be expected to cater in such matters only for small folk with small means

There can be no temptation among societies of this type to form "Guaranteeing Unions." Union there should be, but on a larger scale and for other purposes. And the societies will probably gain by the existence of "Central Banks," to which they might well be affiliated without a special new order of Central Banks being created for the purpose. People in India appear to think habitually too much of Central Banks as essentially superior officers in the agricultural banking army, such as they ought not to be, at any rate, permanently. Their rôle is quite clearly marked out by the requirements of the case. They are to serve as balancing-centres and clearing-houses for Co-operative Banks, whatever their type, and tapping-channels whereby to draw upon the outside market—transformers, so to put it, such as in electric machinery convert high-tension current into low—in other words, which assimilate the needs of Co-operative Credit Societies to commercial banking practices outside, with one Janus face turned towards Co-operation and the other towards Commercialism. According to the transaction to be performed will one door of the temple be open or the other. Now no Co-operative Credit societies are more likely to have occasional use for additional credit from outside than those operating for Trade, as distinct from Agriculture, because fluctuations are in their business greater than in the business of agricultural credit societies. They are as a matter of course directly and largely affected by the fluctuations of general trade. India does not probably yet stand at all near such development. That will come with the development of business.

In India we are still only on the threshold. Until business begins to come in anything like good earnest, transactions are likely to be only small and to continue so.

But we shall want to have the organs for more highly developed transactions ready, at any rate in germ. And in times of violent fluctuations or in early years of meagreness the help of Central Banks is likely to prove as useful to credit societies of the non-agricultural order as of the agricultural. That appears to open up an ambitious prospect for the future. But indeed Co-operative Credit applied to trade and commercial and industrial purposes may still have an important rôle to play in the future economic development of the country.

With regard to the need of co-operative "urban" credit in India there can be no manner of doubt. The India Industrial Commission, in its very careful Inquiry conducted in 1916 to 1918, points this out with great distinctness. It says: "We have shown that the lack of financial facilities is at present one of the most serious difficulties in the way of the extension of Indian industries, and we believe that industrial banks, especially under the improved conditions, towards which the measures proposed by us are intended to lead, would be a potent means of removing those difficulties and of affording help to industrialists. The Tata Industrial Bank has recently started, with a large capital raised without Government assistance; but we think that there is still ample room for other institutions, especially of a type designed to afford assistance to smaller industrial undertakings. . . . Whether in the Presidency towns or in the Mofussil, the difficulties in obtaining loans and financial assistance which are felt—and of the reality of these we had plenty of evidence—are experienced chiefly in the case of middle-class industrialists, who are unable to offer the security of approved names, or of stocks which could be easily disposed of. Indians suffer in a special degree from this deficiency; for, among other reasons, they find it difficult to satisfy a bank, whose directorate and superior staff are entirely European, as to their financial position. . . . There is no doubt that the small entrepreneur, whether industrialist or trader, is hampered by the lack of banks and of finance at reasonable rates."

• The Tata Industrial Bank, we need not doubt, is rendering excellent service. However, more is wanted. There is a large empire to be provided for, and there are a large number of enterprises conducted by persons whom

nothing can help so well as a co-operative institution, with its familiar ways, its understanding of cases of the kind to be dealt with, and the knowledge that it is there, not to make a profit, but to render a service, by help given through men of like habits and drawn from like surroundings as those who need their aid.

Well, India has not stood still. The opinion of the India Industrial Commission was given in 1918. And since then undoubtedly progress has been made. "Urban" co-operative credit has spread far and wide. Not a small portion of that newly started is indeed only of the character of the firstling sprouts already referred to. There are the Society of Employees of the North-Western Railway Company with a capital of 11 lakhs in the Punjab; others in the same province of soldiers of certain cavalry regiments with a membership of about 20,000 and a capital of 37 lakhs. There is a strong array of co-operative credit societies for Government employees in Hyderabad State, a majority among 153 such credit societies altogether, with 92 for the city of Hyderabad. There are a goodly number of non-agricultural credit societies in Bengal, recruited mainly from the ranks of employees in Government and Municipal offices. So also there are similar societies in Holkar State and in Bombay Presidency. Others there are still, in British India and in Indian States.

However, there are also a fair number of non-agricultural credit societies doing business in the way suggested by the Industrial Commission, namely, to assist small and middle-class trade and commerce with credit and banking facilities such as are much wanted. The Provincial Bank of Bombay and the Central Urban Co-operative Bank of Madras have, with the vigour and resource which they have shown from the outset, led the way and spread out their business very greatly, conquering for themselves recognised positions among the great business banks of the country. And their dealings are found to afford signal help to undertakings of the kind mentioned, down to artisans' societies, such as those composed of weavers and others engaged in cottage industries. The Punjab contingent of co-operative societies alone includes about 500 non-agricultural credit societies. "These societies," so writes the Registrar, "have been very successful in their own sphere, in affording credit facilities

to people with small incomes and stimulating thrift among them. Several progressive societies have also started work in order to assist production in non-agricultural vocations and to popularising the use of instruments of credit. But there is considerable room for development and extension in this direction."

Plenty of room no doubt there is. But, with the way once laid open and the powerful Provincial Bank of Bombay and the Central Urban Co-operative Bank of Madras leading, we may expect to find the way trodden and the help given. India, with its wealth of small industries, having fair prospects, spread out over all the Empire, and its poverty of banks, more especially banks suited for this particular purpose, seems indeed cut out for this kind of co-operative credit banking. And there is the question of remittances and other dealings with money; moreover, of business information, and the like. That business is still difficult and cumbrous in India. In Germany the facilities given by the Union of Co-operative Credit Societies are one of the features which have particularly helped to popularise the institution. Accordingly, we may look forward to an active development of this branch of co-operative action and so see justice done to India's magnificent opportunities.

With such examples before us, such an acknowledged need of institutions in whose recommendation I am writing, and such a beginning made, I think that we may with confidence look forward to development of "non-agricultural" credit worthy of the occasion. We have been made to wait. And the first progress has been slow. But now that the institution may be said to have given proof of its utility, that the need of it has been recognised and that the public mind has been familiarised with the idea of it, we may surely expect to see hindrances overcome and Co-operative Banking, not only for the use of employees and civil servants, but also for the general interest of trade and commerce in humble hands, to be effectually launched on its wealth-bringing road to acceptance.

## IX

### GRAIN BANKS

EVEN before what may be termed the Co-operative Idea, as we know it now, had taken actual shape in the heads of those responsible for the government of India, before Sir F. Nicholson had been sent out on his fruitful errand of inquiry, and before I had gained the benevolent ear of Sir Charles Bernard on the subject of the best way to tackle the credit problem, it occurred to a philanthropic zemindar of Bengal, Rai Paravata Shankar Chaudhuri, whether he could not come to his countrymen's aid in their sore need in a simpler—which of necessity meant also a more primitive—manner than that which was subsequently adopted. I am anxious to put the matter in this way, because to Mr. Chaudhuri belongs the credit, whatever his organisation may now be thought worth, of having broken the ice and been the first in the field to dig a sod, instead of his device being regarded as a mere *ex post facto* alternative to credit given in the shape of cash.

Quite naturally Mr. Chaudhuri put his idea into the shape of an institution supplying grain in the place of cash. Grain is what the raiyat grows, sells, lives on, thinks and reckons in. Trading man in the course of his evolution generally began with an exchange of *goods*, by what economists call "barter," before he took to reckoning in coin. To the mind of the raiyat the seer of paddy is probably a more real thing than the rupee. He reaps his grain and sells it—because he *must* do so, to be able to pay his revenue kist and purchase his few necessities of life. Then comes the time when he wants his grain back. He sold it to the mahajan for money. He buys it back from the mahajan, and considers it a mercy that he can secure it at all, on the *siwai* system—if not at still greater cost to himself, paying 25 per cent. for the loan, which is not cheap, considering

the time, besides what he is often made to throw in as a supplementary gratuity, and apart from the loss which he may conceivably find himself exposed to, by fraud in measurement or by return of inferior grain.

Repositories of grain are institutions of very ancient origin. We have heard some men of archaic frame of mind clamouring for their re-establishment in the United Kingdom—for a different purpose from that kept in view by Mr. Chaudhuri. The patriarch Joseph stored grain assiduously as a convenient means of "stealing the common from the goose" in favour of his master. Italy has had its *monti frumentari*, and Spain its *pósitos*.

Mr. Chaudhuri was thinking philanthropically, not economically, not like King Pharaoh. And like our British co-operators, like Raiffeisen, and like his own forerunner in Japan, Ninomiya Sontaku, he thought of what Mr. Gladstone has called "man-making," as well as, if not more than, "man-feeding." So he surrounded his economic idea with a religious halo, placing his institution under the patronage of the Hindoo deity Lakhmi, and prescribing, in addition to certain ceremonies and functions to accompany acts of business, a rule of conduct for members of his intended society which, if one could only make sure of its being duly carried out, would conduce greatly to the improvement of mankind. The home for the proposed institution was by preference to be a temple—as in fact it is, to state one instance, in the village of Kodi, in the district of Belgaum, where the grain store has found a shelter in the temple dedicated to the local deity Shri Bhairavanath. If I read Mr. Chaudhuri's explanatory pamphlet aright, Lakhmi is the deity of "Abundance." Not to give offence to non-Hindoos, so he explains, he altered the name of his intended grain store from Lakhmi Gola to Dharma Gola. Naturally Mr. Chaudhuri drew up a set of rules—which do not err on the side of simplicity—in which good living—in a moral sense, virtuous, honest and pure—figures as the chiefest essential.

When in 1905—at a time when Co-operative Credit societies were not yet, but were just about to be formed—Mr. Chaudhuri opened his first Dharma Gola at Jayganj, in the district of Dinajpur, in Bengal, we read that there were great rejoicings among the local population—and also in the press, as Mr. Cobden Ramsay has related in a

report which he presented to the Government—and a ready welcome was accorded to the new institution. That grain bank has apparently done well. And some few others appear to have been almost equally favoured by Fortune—for instance, the “ Moberly Grain Gola ” at Sohela in Bihar. The last-named bank was started in 1910 by another native philanthropist, Babu Paresram, on the advice of Mr. A. W. Moberly. Others evidently have met with a less kind fate, and, generally speaking, the record of the institution is not an over-good one.

On the face of it, grain is not by any means a convenient commodity to store and to handle, taking in and giving out, for the most part, in small quantities, and one on which there is likely to be loss in measuring backward and forward. Moreover, it requires space. It is exposed to various risks. It deteriorates even in mere keeping. Indeed, in the Dharma Golas special safeguards have been found indispensable, to prevent loss to the establishment, for instance, by old stores being exchanged for new grain to be received. The Moberly Grain Bank from 1910 to 1913 increased its grain capital from the Rs. 1,000 with which it was first endowed to Rs. 2,577. But that was probably done at the cost, not realised but yet endured, of the depositors. Other grain banks have lost what they had.

Some Registrars, I find, have in recent days taken, not the actual grain bank as it is, but the idea of forming such in an ideal shape, into something like favour, basing their good opinion of it upon the precedents of Italian *monti frumentari* and Spanish *pósitos*—about which latter things have been written in India which do not altogether square with facts. By such means an entirely false idea has been created about their character, which it may be expedient to correct. The Italian *monti frumentari* have long since been converted into *monti nummari*, that is, cash institutions—on the ground of their not being any longer in keeping with modern usages, under which commerce, transports and communications have become much easier and the *nummus* has asserted its monopolising sway. And so have the Spanish *pósitos*, after a careful inquiry instituted by a Royal “ Delegation ”—corresponding to a British “ Royal Commission ”—occupying not a little time and concluded in 1908, when an official “ Circular ” was issued. That

Report sêts forth accepted views, for the time regulating the matter. The opening portion fully explains the conclusion arrived at, and may therefore be worth quoting. It is as follows :

“ This Royal Delegation has satisfied itself that the conversion of all the values in which the *pósitos* deal into metallic values will yield indubitable benefits to these establishments, alike on economic and on administrative grounds. That idea is neither new, nor is the proposal novel ; no more can the result be doubtful, because the adoption of methods for consolidating and unifying the property of the *pósitos* has been studied with great care and ample consideration for a long time past, with a view to arriving by such means at a settlement on grounds of scientific correctness, of expediency and of beneficent action, such as are to-day accepted without reserve of any sort by economists, sociologists and agriculturists alike. Data are in possession of this Royal Delegation which demonstrate this fact very clearly. Towns and villages frequently solicit the conversion of the grain stored in granaries into metallic values, justifying such request with very reasonable arguments. A large number of the now extinct ‘ Commissions ’ (administering the *pósitos*) have supported such requests on repeated occasions, and this Centre has again and again found itself under a necessity of according its sanction to arrangements in this sense, as a means of avoiding very serious loss to the property of the *pósitos*. There was a time when railways were not yet and roads were scarce, and when means of communication were correspondingly far from being either economical or expeditious. A year of dearth in those times meant for the agriculturist a seed-time without seed, and generally severe embarrassment and privation under the conditions mentioned. Such privations represented a trouble for which it was difficult to find a solution, because transport across long distances presented in those times a certainly insoluble problem on economic grounds. At that time, accordingly, plainly the keeping of grain in such establishments was fully justified. It was a necessity imposed by a backward state of things such as then prevailed. It represented a secure means of averting serious ills and of carrying on an agriculture poor, routinière, and without much life in it. There

was no reliance to be placed upon industries which had contributed to it, and are indeed dependent upon its production, and on the higher prices which at present prevail in the commercial movement, and which are necessary for its prosperity. To-day the causes which previously justified the method adopted for rendering assistance in the antique way have completely disappeared, and to want to maintain the old method is to misjudge altogether the economic position of towns and villages in the present day, their necessities, and also the agricultural requirements of the country. Once such archaism is destroyed, and the grain stored in the *pósitos* is transformed into money, assuredly many anomalies so well known as almost unavoidable under present conditions will vanish. The waste occurring in measuring, turning and other manipulations, which the keeping of corn involves, will come to an end, and the property of the *pósitos* will no longer be exposed to the losses and leakages to which through various causes the grain kept in them is now exposed. The capital of the establishments will come to be known by an exact and unchanging figure, instead of being, as is now the case, subject to the fluctuations not to be foreseen following the vicissitudes in the price of grain. The danger of abuse such as is apt to occur in the recovery of quantities of grain repaid in lots of inferior quality will likewise disappear. And the capital of the *pósitos* will be increased by the sale of the buildings which now serve for preservation of the grain. With grain it is impossible to satisfy the many requirements called for in the labour of weeding, of harvesting, of ploughing, for the necessary purchases of machinery, fertilisers, livestock, store or plough cattle, repairs of wagons, of ploughs, of harness and countless other things indispensable on every farm, whatever cost they may represent; with grain it is not possible to satisfy such wants, unless indeed the farmer himself first convert that grain into coin, saddling himself with all the trouble and risk which in many cases attaches to such operation—which is what as a matter of fact happens now. On the other hand, in their present organisation, *pósitos* are not by any means able to lend their help to farmers beyond that number of them who devote themselves to the cultivation of cereals, so excluding from their benefits the vine-growers, the gardeners, the olive-growers and all those who carry

on the smaller agricultural industries—in fine, those who live of their field, without devoting their labour and skill to that particular form of production, and for whom wheat and rye have no specific meaning, nor indeed any value except by the fact that their price regulates other prices in the market. Once the agriculturist has come within their reach, he may lay himself out at his own choice for progressive evolution, carrying to his fields those progressive methods which translate themselves into economic benefits improving and increasing production, and ministering in such ways far more widely to all his wants, while at the same time contributing by such means to the increase of national wealth. The transformation of the property of the *pósitos* into coin is therefore a necessity felt and claimed by public opinion, and above all things by the exigencies of our Agriculture, and we have to begin the metallisation of the grain preserved, and continue it, with the help of the State bonds, which these establishments now possess, with grants in their favour, with the rural and urban properties which form the patrimony of many among them and with the liquidation of the Credits which the State and Provinces and Municipalities hold against them.”

This document sums up the situation clearly enough. *Autres temps, autres mœurs. Alia vita, alia diæta.* Times have changed. Our first parent Adam reckoned in fruit and in corn and went to beasts and fig-trees for his primitive clothing. Those simple things no longer suit us. And there is no use in harking back to anachronistic practices, which may have served their purposes well enough in olden days, under totally different circumstances, but will not suit us modern men. Rather is good to be done to people in the position of the Indian raiyat population by training them up to the adoption of modern customs of business.

The Spanish “Delegation” Circular incidentally shows that the Spanish *pósitos* did not altogether correspond, as has been hastily assumed by Indian advocates of their practices, to Dharma Golas, as these were intended to be. They were not credit institutions—nor co-operative, nor yet strictly speaking thrift institutions. They were patronised provident establishments. Their object is frankly declared to have been to serve as *casas de ahorros*—that is, savings banks. The new regulations adopted by the Government on

the motion of the "Delegation" expressly exclude transactions in grain in the case of all new *pósitos*, only tolerating such as a diminishing quantity in the case of the older stores, for a certain time.

The two cases, brought into comparison of *pósitos* on the one hand—about which I have only spoken at such length because they have been so very pointedly held up as a useful precedent—and Dharma Golas on the other, accordingly are not at all on all-fours.

The Indian Dharma Golas have in truth made very little way. In the last Registrars' Reports before me at the time of writing I find notices of Grain Banks in four provinces, viz. Bengal, the Punjab, Bihar and Orissa, and Coorg. And those references do not indicate a large business. These *golas* seem in the main to be kept up only in backward districts, where cash dealings are not practicable. They have been favoured thus far to a moderate extent in the district along the Indus, but otherwise they have not covered much ground. Apart from the Punjab there are notices of their existence in Coorg and in Bihar and Orissa, but their number is not considerable. In the last-named province there have been losses owing to insufficient supervision. In Bengal and Bihar and Orissa there has been an infinitesimal increase in the number. In the Bankura district of Bengal people are reported as indeed preferring grain banks to money societies. But the number of *golas* maintained is only trifling. It is not every Registrar's Report that gives even a few lines to them. "The grain banks have not been able to effect any considerable improvement among their members." So wrote Mr. Donovan some years ago. There are one or two "doing good work." Two are "in a moribund state." Two new ones have been formed. "Although the raiyats pay a heavy toll upon grain advances," so wrote Rai Mitra in his Report for 1914-15, "there has been little demand for separate grain banks even from areas where the co-operative movement has obtained a firm footing; in some areas I have, however, noticed a demand for grain annexes in connection with the credit banks."

That is probably the proper solution of the question. Allow such members as find it easier to begin their practice of thrift by depositing grain to do so. That is in a manner on a par with what our most deserving "collecting banks"

do in England, whose emissaries whip up the odd pence of poor labouring folk when they are fresh from the pay-table, leaving the owner no time to be tempted to spend them improvidently. The grain is there. There is probably too little to convert conveniently into money. Snatch it up before it has a chance of being wasted ! The bania, so it is true, who is the only person to convert it, is likely to dissuade from the transaction, which takes expected bread out of his mouth. But for the sake of a beginning, by all means, where necessary, allow the people who prefer to do so to deposit in seers of grain rather than waste them. The mischief is that in some places, where this has already been tried, the handfuls of grain deposited under an impulse of thrift appear to have been readily withdrawn as soon as the moment of temptation arrived. You cannot tie down grain deposits in respect of time as you can cash deposits. And in transactions in grain all is absolutely bound to depend upon the energy and firmness of the manager. The success of Rai Chaudhuri's first bank at Jayganj, so writes Mr. Mitra, "has been entirely due to the keen interest of the organiser and to the supervision which he and his officers have maintained over its working." On the other hand, the Teota Dharma Golas, which were likewise started by Rai Chaudhuri about the same time as the Jayganj bank, have proved failures, because he was unable to maintain there the same amount of active control over them.

The future undoubtedly belongs to cash business.

There is another point to be taken into account, which has become of considerable importance. Grain is no longer "grain" only. Pusa is now at work. Since Mr. Chaudhuri conceived his idea to form grain banks, we have raised our aims and ambitions considerably with regard to the perfecting of our Agriculture. We know now what good, pure grain, of the best "breed," suited in respect of its species to its particular locality, means as a matter of commercial value—whether it be for seed or for food. Whatever our wise men at home may decide to do after the war by way of heaping coals of fire on the heads of our enemies by completing their U-boat "blockade," so as to keep out the corn that we stand so greatly in need of for feeding our people, in order to give Germany a monopoly of importation of corn from alien countries, we shall certainly want to look to

India more and more for a supply of wheat. However, our British market is squeamish—as the Danes have found in respect of their butter, eggs and bacon. It will only accept the best and purest of its kind. An experiment quite recently made with the exportation of Pusa wheat to the English market has given promise of a good business connection to be developed. Co-operative granaries of the German type—not those which Mr. Crosthwaite has justly denounced, but real *co-operative* ones, which exist to help the sellers—assist greatly in the purification of grain production, both as to unification of standards in various districts and as to grading for intrinsic quality. Dharma Golas do neither. The object of the Dharma Gola being such as it is, no goladar could refuse dheri grain. Whether it be wheat or rice or millet, it all comes to the same thing. Indian paddy grossly diluted with the wild species and of a mixed kind altogether is not nearly equal to a perfected sample, kept pure. This is not only a matter of fancy, or of market price. The good grain represents much more feeding value. Since, however gola grain is collected to be lent out for seed, the terribly mixed condition of the store cannot fail to keep our field crops in a very “mixed” condition. All that goes straight *against* that agricultural improvement to which we are aspiring by means of the perfecting of our plant “breeds.” There is no similar adverse effect in cash. Cash is useful for all purposes. It requires no storing, no turning, no stirring, no buildings. It is safe from rats and mice and other vermin. It does not rot. And it is far more suggestive of thrift and fructifying investment than grain, just because it is employable for all purposes, does not waste or tempt directly to consumption, and is a convenient commodity to hold. Then let us employ thrift dealings in grain, where such seem called for, as a sort of infant education, but always only as a preparation for cash business. And as our population advances in knowledge of business lead them on to dealings at the cash counter!

## X

### THE WIDER OUTLOOK

CO-OPERATION is capable of more applications than that only of Credit. Indeed, Credit should in it in truth serve only as an avenue leading up to further employment of the same method—employment in which really to find its main use. In highly industrialised countries, such as England and Scotland, it is Distribution—Supply, as it used to be called—that appears best qualified to act as pioneer Co-operation. Profitable employment there is already for the classes so co-operating, and the aim set to Co-operation by them is to make the proceeds of that employment go as far as possible and out of their yield gradually to build up little fortunes. Under such circumstances the population requiring the help of Co-operation, in order to emancipate itself and economically, socially and morally to raise its status, is a different class entirely from that which claims first attention in the great Asiatic Empire.

In India there can be no question that it was Credit which was of all forms of Co-operation the one most urgently and most pressingly needed. And therefore rightly did the Government begin with promoting Credit.

However, Credit can, as observed, impossibly stand as an end by itself. You can do a great deal with Credit. You can stimulate faculties with it, make the most of opportunities, create employment for yourself and for others. But you cannot sit down upon it or live upon it. That is in truth one of its best recommendations, and under a not unimportant aspect its greatest merit. For it *compels* to good employment. *Give* a man money, and he may sit down upon it and spend it; or live upon the interest which it will yield in idleness, a mere cumberground and drone, from whose life the world derives no benefit. Assist a man with Credit, and, if it were only to keep himself going, he will have to turn the

money so got productively to account. In this sense Credit, though not itself "Capital"—as the late H. Dunning Macleod maintained that it is—is in truth better than Capital.

Credit in itself is worth a great deal. The world could not to-day go on without it. But it is worth much just as an implement or a fertiliser is. You cannot eat a bag of bone-dust or of guano, or clothe yourself with it. But you can grow much corn or cotton with its aid, to feed and clothe you. Credit is worth much—but it is worth less than nothing, if not put to use.

Accordingly, the terminal point of our wealth-bringing journey must needs lie farther than Credit. Like seed, it has to be sunk in the ground to produce the well-filled ear that can be threshed to yield us bread to be consumed, making in the process new flesh and blood.

It will be well from the outset to hold fast by this principle, that the object for which Credit—in this case Credit to be raised by a number of people out of their own resources, with men to a certain extent answering for one another, for their own purposes—is raised must be productive—productive, let us say, by the creation of new values or by ensuring economy. For proverbially a penny saved is a penny got. That is the only employment which is legitimate for it, and in truth the only employment, within the range of Co-operation, which requires it. Other Co-operation can do without. Distribution, for instance, requires no Credit. It may be said to end where Credit begins. Our working men combine in Co-operation in order—at the outset, at any rate—while spending the same money for their requirements that they would at the shop, out of that purchase *at the store* to economise what will in course of time build up a little fortune for them. They have to begin with the money. They go on, as they grow wealthier and better organised, to other forms—Production, Insurance, and so on, all of it out of their profits already gained.

For Production, on the other hand, we require money. When the Board of Trade, in 1895, charged one of its most capable officers, the late D. F. Schloss, with an inquiry into the organisation and work of working men's co-operative productive societies abroad, shortsightedly limiting the reference to enterprises in which these men supplied just only their labour, there turned out to be practically nothing

to report upon under that narrow view. For Labour alone is found to be best prized for its work paid for by wages. The very first thing that, according to their own account, all these productively co-operating working-men did was, out of their earnings as labourers, by stinting and pinching—often severely—to lay by some little nest-egg of capital, with the help of which they turned themselves into contractors. It was, according to their own testimony, *money* which yielded to them the best profit. Wonderful rises in position have under such circumstances taken place with the help of skill and Co-operative Credit. Societies composed of the poorest of poor earthworkers in Italy, known as *braccianti*—because they have nothing to bring to their job but their arms—also others of better-skilled crafts, such as stonemasons and bricklayers, have with the help of Credit—supported of course by steady resolution, diligent application and in the initial stages self-denial—become powerful organisations undertaking large contracts. And they have succeeded in shaking off both the burden of debt and the shackles of dependence. They have become self-employers. Thirteen years ago I saw, in Rome, one of these associations, raised up out of pure Labour—which in 1895 I had known in poverty—executing an independent contract for the construction of a railway, with absolutely no need of credit, as the chairman owned to M. Luzzatti and myself. I have seen them undertaking large building contracts—as for a “watertower” and the like—in Milan and elsewhere. And I have seen others like them farming a large property, under a long improvement lease, for themselves, at Ostia. In France the productive working-men’s societies, raised up by the use of Credit, possess their own bank—co-operative in this sense that it belongs to them all and exists for the purpose of financing them in their enterprises. They carry out large contracts. Should small industries develop and wax strong in India—as we may fondly hope that they will—such a bank as this—there is a similar agricultural-industrial one in Denmark—might prove a useful adjunct to them.

It is the same thing in Agriculture. Sir T. H. Middleton, late of the English Board of Agriculture and Fisheries, has recently in a masterly “Memorandum” shown how German Agriculture has managed for the time in some sense to out-strip British—from which it first learnt its lesson ; and miles

behind which I still found it sixty and sixty-five years ago. There can be no doubt about the march which it has stolen upon our own husbandry. However, the foundation upon which that mighty structure of progress was reared up clearly was Co-operative Organisation and, above all things, Co-operative Credit. The lesson wants to be taken to heart. For with the same means the same results may be achieved—the same and better. For in the matter of soil Germany is at a disadvantage compared with other countries, certainly with India. Now, like India—and for the same reason—in the matter of the Organisation of Agriculture, Germany began with Credit. Before there was Co-operative Credit there was no Organisation—absolutely none, as I can vouch for, having seen Germany at the time. And so long as Germany lacked Organisation in Agriculture, its Agriculture remained backward. Even that boasted “Science,” which has indeed effected veritable wonders for German Agriculture (as also for German Industry), remained sparingly developed because, without sufficient money to use it, there was not sufficient demand for it. Co-operative Credit entered upon the scene and the whole face of things came to be changed. With the purchase of fertilisers, implements, seeds, machinery, and so on, placed within the reach of farmers—even poor ones—there was scope, not only for Organisation—which has come to be as perfect as any known—but also for the scientific work of analytical chemists, engineers, entomologists, bacteriologists and the rest of them.

One of the results of this evolution is that at the present time, as an expert writer in the United States has recently pointed out in the *Journal of Economics*, “the German farmer now uses six times the quantity of fertilisers to the acre that the United States farmer does, besides ever so much more animal manure.” And, of course, he reaps the benefit. Because it is the *additional* fertiliser which tells most. Hence, with the accompaniment of a corresponding amount of careful tillage, machine labour supplied in great part by electric power, and an admirable organisation of sale, the wonderful progress which German Agriculture has made, the height of prosperity to which it has been raised.

Given the same endowment, there are the same opportunities open to the Indian agriculturist. The same advanced

goal cannot be reached in a day. But with an earnest will and perseverance it may be reached. Agriculture is, as a matter of course, the first interest that, in respect of material progress in India, people think of. For Agriculture, with about 90 per cent. of the population dependent upon it, is the main nourisher, the sheet-anchor of Indian economic life. There is really in the development of Co-operation in India no feature more promising and full of encouragement than the close link which has already been forged between Co-operation and Agriculture, twin patron goddesses that they are of economic progress. Without Agriculture, Co-operation would in India lose its chiefest field of action. And without Co-operation, Agriculture, however well officered, would lose its best instrument to work with. The researches and discoveries of Pusa, Cawnpore, Lyallpur, Poona, Nagpur, Coimbatore and the rest of them, exceedingly valuable as they are, and a thing to be proud of, would remain addle eggs if there were not the means of putting them to practical use. And to be able to put them to practical use Co-operation and Organisation are imperatively needed.

Just the same as did the whilom "Khedivial Agricultural Society" in Egypt, agricultural authorities in India have begun by taking charge themselves of the distribution of seeds, improved implements, fertilisers and the like. However—just the same as in Egypt, when the use of the articles supplied extended—the work is likely to grow too exacting for those authorities. Besides, such distribution is not really their business. And one may hope to see Co-operation, which has begun in that way, developing so as to carry on the business on a large scale. It can do so better than the agricultural authorities and bring the knowledge of the utility of the articles supplied better home.

We in England cannot "talk" in this matter. For we still remain unorganised, and our Agriculture suffers accordingly. Men like Sir Horace Plunkett—who has shown in Ireland what Co-operation is worth to Agriculture—and myself have been preaching Co-operation to the agricultural community for something like thirty years past. However, John Bull takes a long time moving out of his well-worn groove. Unorganised, the farmer buys in the dearest market, under the most fettering conditions, and sells in the

cheapest. In India, where debt broods depressingly over the entire rural community, things are even worse than elsewhere. Co-operation reverses the process just denounced. It makes the farmer buy in the cheapest market and sell in the dearest. Hence that remarkable uplifting, that astounding ascent from poverty to prosperity of which, as witnessed in Germany, Sir T. Middleton has told the tale.

Agriculture and Co-operation, acting as twin sisters, should move in double harness, keeping the spring bar well balanced. However, one could not wish to see the one placed permanently under the other, as has been suggested. Co-operation has other tasks to tackle besides the agricultural. We have had complaints that in India it has already grown over-agricultural in this sense that its inspectors are insufficiently instructed on industrial work and that industrial Co-operation is in consequence kept back. That ought not to be.

For the moment Central Banks, which are having much committed to them which is not their real business, have taken charge of what beginnings there are—promising enough in themselves, one would say—of co-operative buying. They have done quite right. For there is for the moment no other body to do the work; and it *has* to be done. Co-operative purchase is an admirable elementary schoolmaster in Co-operation, and makes a most useful stepping-stone to further common action, lending itself at the same time readily to combination with almost any other form of Co-operation. But the one form to be excepted—as a general rule—as it happens, is just that with which in the present case it has been coupled together—that is, Credit. Credit is a business calling—more particularly when it is undertaken without any considerable capital to serve as its basis—needing delicate handling and careful consideration of all merits in each particular case. It requires to be made adaptable to so greatly varying circumstances and will so little bear subjection to hard-and-fast rules, that in the generality of cases it will not stand coupling with any other form. Selling and buying, dairying, production of any sort will readily blend. Credit must in ordinary cases be regarded and treated as a matter altogether *per se*.

However, there is proverbially no rule without exception. And in the case of *very small* societies, or on new, thus far

uncultivated, ground, where it may usefully be made to act as pioneer, I hold the title for exceptional action to be good. If there must be Credit, there certainly also must be Supply—and, if possible, I should say, in poverty-stricken districts also Distribution—that is, Supply for purposes of the provision of household requirements, as distinguished from Supply for purposes of Production, in which it cheapens the provision of raw material. Supply in this twofold sense is sure to yield a surplus, the easiest “profit”—as it has been misnamed—to be at all got out of Co-operation. And it is, as observed, an admirable preparative for all other Co-operation. It breaks the spirit in to co-operative feeling; it teaches mutual help and common action on the lowest, the most accessible, the most easily organised plane.

When we think of the organisation of Agriculture—on co-operative lines—we instinctively turn to two strikingly different models, both of which have achieved remarkable success, the one in Denmark, the other in Germany. Which of the two shall we follow? Denmark may be termed the premier co-operative country in the world, in what concerns Agriculture. Until lately it possessed no Co-operative Credit except for mortgage purposes, because it was assumed to need none. Its mortgage Credit was so well organised, more particularly so well democratised, as to supply—just as has happened in Switzerland—to a great extent the office of personal Credit. And with the stimulus of even such comparatively heavily moving and cumbrous credit, Agriculture had come to be so much improved that in his “*Andelsbevoegelsen i Danmark*” (Co-operation in Danish Agriculture) Mr. H. Hertel, writing quasi-officially, can say: “Without the loans in question Danish Agriculture would have been unable to enlarge and rebuild farm buildings, to increase very largely the number of live stock, to improve the dairy cattle so as to yield twice or three times as much as before, to carry out permanent improvement by draining and marling, to accommodate the farming system to the altered conditions in the world's markets, to buy farm implements and machinery, and to build and equip many hundred co-operative factories. Although cases of abuse of the facilities for raising loans offered by the Credit Associations do undoubtedly exist, the benefits accruing from the Associations have secured for their members constantly

improved conditions, and externally have gained unprecedented confidence, so that the security offered to capitalists, even in the minds of the investors abroad, approximates to that offered by the Government. The Danish Credit Associations therefore may be said to have fulfilled their object in a very satisfactory manner, and to have contributed in no insignificant degree to the economical prosperity of the country."

That is much the same as what the late H. Dunning Macleod has testified of the happy effects of "Cash Credit" on the "far-famed Agriculture of the Lothians," the cynosure of the agricultural world, and what the late Léon Say wrote in praise of Italian Co-operative Credit reanimating Italian Agriculture (and Industry) in his "Dix Jours dans l'Italie": "*La mutualité a tout créé* (Co-operation has created it all)." It shows how exceedingly furthering Co-operative Credit is to Agriculture. However, quite lately—only since 1915—Danish farmers have become converted also to a very firm belief in that "personal" Co-operative Credit which has worked such wonders in some other countries. The matter was first mooted about the year 1898, when Parliament voted something like half a crore of rupees for the purpose, and a Parliamentary Committee was appointed, under the chairmanship of my friend the late Mr. Blem, to investigate the matter. A change in the Government occurring soon after nipped the project in the bud. However, it has been taken up once more and has by its intrinsic merits secured so powerful a hold upon agricultural opinion in Denmark, that, in Mr. Hertel's words, "it looks as if another co-operative movement, started in the West of Jutland, were going to sweep over the country, as the co-operative dairy system did a generation earlier."

The peculiar characteristic of Agricultural Co-operation in Denmark is that, in the main, every branch in business is in Co-operation dealt with as a branch *per se*. There is dairying, bacon-curing, egg-raising, selling, buying and so on. A farmer may be at the same time a member of nine or ten distinct Co-operative Societies, each providing for some separate need. Then are we to do like the Danes, organise in bulkheaded departments? I ask whether in India that would be practicable. Denmark is a quite peculiarly situated country. In its present form its national

Agriculture is a creation of the last sixty years, called into being by German protectionist policy—and called into being, as its chronicler, Mr. Anders Nielssen, explains, piecemeal, branch by branch, just as necessity called for the one or the other.

Another distinguishing feature of Danish Agricultural Co-operation is that, as Mr. Hertel admits, it leaves out of account all the ideal objects which to co-operators elsewhere are the dearest among the aims of Co-operation. Like American Co-operation—of the old sort ; for a new era has begun to dawn across the Ocean—it thinks only of *business*. There is no educational object in it. That object has been provided for otherwise. There is no community building, no drawing together of people, no replacing of “village communities.” All these things are, so far as Danes want them, there already. The rural population of Denmark is the best educated in the world—better educated than the industrial.

In Germany, under circumstances far more resembling those of India, acting for a humble class of people—likewise in similarity with what has to be done in India—Raiffeisen struck out a different path, in our present sense in the opposite direction to the Danish. His system has likewise proved exceedingly successful, and very much more stimulating on new ground, and has in consequence been adopted generally in Europe—and I may say also in Japan, which is coming very conspicuously to the front as a co-operative country, after its emissaries, dispatched by their Government, have made a careful study of co-operative institutions in Europe. In the small parish societies—as they are intended to be—of small cultivators, Raiffeisen made his co-operative organisation a “maid of all work”—except for their industrial undertakings, such as dairying, sugar-making, distilling and the like, which have to be managed by themselves, but which certainly have everywhere kept in close touch with the original “Raiffeisen society”—“Raiffeisenverein,” as it is distinctively called—borrowing the funds requisite for starting them from it. The most striking feature of Japanese rural Co-operation, when you come to look at the table of its societies, is the very common combination of various branches—purchase, sale and so on, and almost in every instance also Credit—in one and the

same society. In German Raiffeisen societies Supply figures very prominently in the business done and answers for very much of the success achieved—but not, thus far, Distribution. The societies have power to engage in it, and hold such in reserve, should the bania be found to use sharp practice. For the present they hold that he does not do so, and accordingly hold their hand. In India the bania is not likely to be counted equally immaculate. And there, accordingly—just as in Ireland, where the gombeen man rules fleecingly over the rural population—I hold Distribution to be, not only legitimate, but distinctly called for—called for in village societies on economic grounds and also because it is so effectively educative.

However, when you come to the higher grades of Co-operative Organisation—as in Central Banks—combination of Credit with Supply or Distribution, or in fact any other form of Co-operation, not only ceases to be legitimate, but becomes downright dangerous. Combination opens the door to grave and easy abuses. One form of temptation very frequently occurring is this—which ought to be familiar to Indians from their dealings with banias and mahajans—of an improper and improvident purchase being pressed upon the customer, because there is the Credit department conveniently handy to afford the necessary credit. Of course the member who joins the society for the purpose of obtaining credit and also to purchase is entitled under proper conditions to do both the one thing and the other. However, that may be legitimately done in a different way, which excludes danger. Under a system first introduced in Italy by M. Luzzatti, the intending purchaser goes to his Co-operative Credit society, giving the required security and so obtaining his credit. That credit, or so much of it as is required, he assigns to the supply association, which deals with him practically for cash on that basis. Under such conditions the temptation spoken of disappears. For the credit society is not in the least interested in the sale of the article which its member desires to purchase, but only in its own security. And the supply society can exercise no influence upon it to determine it to stretch a point for the sake of enabling it to sell its own wares.

Above the very lowest grade of dealing there is such very serious danger in the combination of Credit with Supply,

and also 'Sale, that I have felt constrained to warn most emphatically against it. And we have telling cases in point. Both the Raiffeisen and the Haas types at one time practised such combination at the apex of their organisation in the several Central Banks which at that time functioned also as apex Supply Societies. The Haas Union probably simply copied such arrangement from the Raiffeisen Union, in which it had been for some time established. The Raiffeisen Union adopted it for want of anything better, because slanderers alleged that Raiffeisen himself and a few of his friends, who in a public-spirited way carried on the central trading as a private company, made an illegitimate profit out of it. At our International Co-operative Congress at Budapest in 1904 I singled out this subject for my paper, and offered a strong remonstrance against such combination, which then boded danger. The danger, in fact, came almost immediately after, in the shape of complications which involved loss in both quarters. The two central organisations in consequence separated the two departments, after which things went on smoothly.

You cannot in India permanently retain your Central Banks as Supply Associations. They already undertake more than they are quite equal to. They have not, in any case, a superfluity of capable men at their command with sufficient leisure to attend to Board duties. Complaints are heard of their being often one-man institutions. It would be a mistake to overtax them. Let them stick to their Bank business and do that well, and leave Supply to others !

In India, apart from Credit, and even from Supply, there ought to be ample scope for the application of Co-operation to Agriculture. We see the first shoots sprouting—in some variety—in the fields already. Raiyats have begun to feel the want. And Agricultural Authorities are rightly stimulating. Supply answers for a great deal, but not nearly for all. By all means let us organise Supply—carrying, I hope, Distribution in its train. The wants of raiyats are few. But they are sufficient for banias to make a fine living out of. And we must hope that the raiyat's standard will come to be raised, as Professor Stanley Jevons has urged.

Here is just one instance of what combination of Co-operative Distribution with Co-operative Supply may do. The Agricultural Co-operative Union of Eastern Switzerland,

now a very powerful and progressive organisation, was on the point of collapse in bankruptcy when confining itself to the supply of agricultural requirements only. It took up distribution of articles for domestic use as well, and its failure was almost on the spot converted into brilliant success. And as a consequence banias are disappearing from village after village in its district, the Co-operative Store, which sells cheaply and, of course, of genuine quality, taking their place. For do not let our Indian agriculturists ignore the fact that cheapness is by no means the only thing that they stand to gain by practising Co-operation. It is the gain that is most apparent and that in itself justifies Co-operation. However, in addition, Co-operation ensures quality. And it places skilled advice and the service of skilled experts at members' command, endowing them vicariously and without cost with the various mental faculties necessary for their business, which they themselves do not possess, and so enabling them to do full justice to their calling. Their chemist analyses their fertilisers and feeding-stuffs for them, their botanist tests their seeds, their engineer examines their implements. Where they can organise their sales, it is their expert salesman, who knows the markets, and is a full match for the wily dealer, who places their produce, live or dead, animal or vegetable, on the right market, bargaining for the full value, instead of allowing himself to be gulled by a crafty dealer up to all tricks. In Europe we have already distinct co-operative markets for agricultural produce, live or dead, for which the co-operators lay down rules. They have proved highly successful and are very much resorted to by buyers.

Combined with the sale of goods to members, there should be instruction as to their use. We scarcely need that in Great Britain. But in India I should say that it is distinctly called for—just as it is, for instance, in Italy, where the peasantry are backward and where systematic attention to this particular service is found highly beneficial and stimulating. It is the societies—not the makers of implements—which have their officers stationed at suitable points, ready to instruct members in the use of new machinery and implements and to supply new parts. That is half business, half education—in respect of which latter Co-operative Societies have opportunities open to them which the educational staff of

the agricultural authorities do not possess. We should remember what Lord Reay said of the Agricultural Syndicates of France—being organisations, mainly for co-operation, with which I have been familiar almost since their first formation—namely, that in the matter of education “they have worked wonders.” Co-operative organisations do not teach from the teacher’s desk, but in button-holing conversation. In India they appear to be already assisting to some little extent by demonstration, which is the most effective educator of all in practical things. But they want to be doing a great deal more. “The matter of adapting the teachings of the Department and the Colleges to local conditions is one of the most difficult problems that the apostles of the new Agriculture have had to meet.” So writes Mr. C. S. Vrooman, Assistant Secretary of Agriculture in the United States, in the *American Yearbook* for 1916.

Now that is just the sort of work that Co-operative Societies seem cut out for. They can do a great deal towards the distribution of good seed—which evidently is a great want in India, whether the seed be rice, or wheat, or cotton or anything else. We in England are expecting to do a large business with India in wheat. The first experiments which have been ventured upon with the exportation of Pusa No. 12 wheat to England are said to have proved encouraging. India is, if not actually the original home of wheat, at any rate next door to it. There are now said to be in India over 35,000,000 acres under wheat already. If trade with Great Britain expands, there will probably be more. And, with the aid of Co-operation, we may anticipate that the same area will soon yield considerably heavier crops. However, our purchases depend—as they did in the case of butter, eggs and bacon, which we take from Denmark—on good, and permanently good, quality. Denmark has learnt the lesson. Ireland is learning it now. No doubt India in its turn will do the same.

Indian wheat has indeed a golden chance in England. At the British Empire Exhibition in 1824 Indian wheat made its mark. The Official Report says: “The Punjab representative reports that the wheat exhibited attracted considerable attention and received a great deal of praise from the experts and the Press. The high quality of the best of the Punjab wheats and their great advantage over

many other wheats in their lower moisture content were commented upon favourably by visitors, who said : ' Why don't you export such wheat to the British market ? ' It is just good sun-dried wheat that we want in Great Britain to mix with our soaked grain, to make it fit for the miller and the baker."

There are special branches in Agriculture that want to be pushed by Co-operation, and for pushing which Co-operation has already proved its exceptional capacity.

Take Irrigation. You have Khelar ; you have Nawada ; you have advancing Co-operative Irrigation in the United Provinces and elsewhere. Indeed, you have now a great deal more. For one of the most satisfactory and promising features in recent co-operative development is the interest and vigour with which Irrigation work has been taken up in various parts of India. And with reason. For scattered and subdivided as territory is in India, Co-operation is almost, if not altogether necessary, certainly most helpful, if irrigation is to be extended as one would wish it to be, and as in truth it deserves to be, seeing what immense benefit it could be made to bring to the country. Give Indian soil water, and under a forcing sun you can do almost anything with it, at any rate somewhere or other. In the United States—which possess their ample allowance of genuinely arid soil, useless without water, yielding well when irrigated, Co-operative Irrigation has been found the *only* form of irrigation which has really answered. It was begun in Utah, where the Mormons were assigned a territory, dry and sun-scorched, on which to settle. The land needed water badly. To supply such the Mormon settlers could expend no money, because they had none. But they had their arms. They set to work with them co-operatively, one working for all and all for one ; and so working they completely transformed their province. Incidentally they discovered, as I may mention, with their cute Yankee alertness, how to turn that pestilent and noisome *reh*, from which they suffer as much as do arid parts of India, to good account—industrially, though not agriculturally—by extracting from it its alkaline salts, for sale in the market. However, the main point was that they made their territory cultivable and set an example which the rest of the United States have not been slow to follow. It is Co-operation there which governs irrigation.

Mr. Herbert M. Walter, of the United States Geological Survey, in his Report on "Indian Irrigation," prepared for his Government, points out the rather striking similarity in the conditions bearing upon Irrigation, which prevails severally in his own country and in India. He writes: "In general there is a great similarity between the character and topography of the great northern plain of India and parts of our arid West, especially the eastern slopes of the Rocky Mountains and the great Californian valley. Central India and the Deccan have many features in common with the central portion of our arid region, particularly portions of Northern Arizona and Southern Utah. The climate is as similar to that of our Middle Western States as is the topography."

Mr. P. E. Fuller, Irrigation Engineer in the Office of Public Roads and Rural Engineering of the United States, refers to the same point when, writing in the official *Yearbook* of 1916, he remarks: "In obtaining a water-supply for irrigation, Co-operation has many advantages." We have likewise found Co-operation useful for purposes of water-supply in England—witness Mr. F. Graham Fairbank, of York, who has organised several Co-operative Irrigation schemes in the North. And in Belgium they have their *wateringues*, in Germany their *Deichgenossenschaften* for the same purpose. Co-operation, so I should say, in connection with this matter promises more particularly to be helpful in the regulation of water-supply, where Irrigation is practised, as between various usufructuaries interested, so as to ensure a fair but not wasteful apportionment and the utmost benefit from the valuable water secured. There appear to be difficulties about that at present.

That application of Co-operation naturally leads on to one which exhibits the same feature, only in a modified shape.

Co-operation in Irrigation is Co-operation in Work. And assuredly in a country with land so snipped out, so cut up into fragments, as is that of India, there is room and call for organised labour, such as is supplied, for instance, in the numerous *associations syndicales*, and in some cognate organisations which, under a European sky, smoke the vineyards to keep the night frosts off and bombard the welkin to bring the hail-clouds down in the harmless shape of snow powder. India already possesses Co-operation of really an

identical kind with that commonly practised by the French *associations syndicales* and the corresponding associations in Belgium and the Netherlands—that is, in Professor Radhakamel Mukerjee's words, of villagers "uniting to dig and clear out watercourses, turning out together to protect their rice embankments from floods," or else combining to work for a time at "deepening the pond" or "dig *kachha* wells and to work them for the village cattle, and often to make a *pakka* well," or to "dig the village ditch, to repair the village hedges, to build the *dharma golas*, or to put a new gate on the entrance to a village," or even to "dig long inundation canals." That is excellent. And Co-operation has, so one is glad to see, added a fresh stimulus to such activity, which now benefits many a village where, urged to it by their co-operative leaders, villagers join together with a ready will to carry out, collectively, useful works for the good of the community. Only, as Professor Mukerjee rightly observes, it wants to be organised and be made permanent and general. There is distinct promise in it of more being done in this way in India—as more is certainly wanted there—than in Europe. There is likely to be some difference in the application in the two quarters of the globe. However, Providence has so portioned out our troubles that no climate escapes perfectly without them.

From altruism this principle has been carried into the sphere of vocational occupation. One ought to be glad to see what are called "Labour Societies" formed in various parts of India to carry out paid work in common. They appear thus far to have given satisfaction and to have done well for themselves. That is the way to lead up to Co-operative production and to secure to workers the full reward for their work, which now is, rightly enough, the great aim of Labour. And it may help, if anything will, to rouse the Indian labourer out of that torpid temper which makes him prefer profitless idleness to profitable employment. It is disheartening to hear an active Registrar complaining of the doubtful results of his well-meant efforts to find employment for men in the Canal Settlements, because they *will* not work, and to read of the easy-going ways of industrial workers, who after a little labour will take their weeks of *dolce far niente* in their village. Appetite proverbially comes with eating. And the better reward earned by members of

Labour Societies, to whom better pay in return for better work is the object of their joining, may, one would hope, call forth gradually a similar desire in the breasts of wasters of time and power. A feature threatening possible trouble in this connection is the employment by Labour Societies of non-member auxiliaries, because where that has been practised in Europe—for instance in France—it has given rise to suspicion, and possibly here and there to the practice of exploitation of non-members for the profit of members. That ought to be avoided.

Co-operative Labour has done very well as a preventive of Labour exploitation in New Zealand.

In Italy, among other countries, co-operative labour has become a leading feature in economic organisation. It is there, indeed, the landless dwellers in the country who combine—in the first instance to take labour contracts in common, as a means of bettering their position and acquiring some capital, though it be at the cost of pinching and stinting. But they have long since advanced beyond that. For they acquire or rent land, and often farm it, in common. As a rule, however, their co-operation is limited to the mere acquisition—in Italy it is in the main by tenancy, but for long terms, with fixed tenure.

That, again, leads on to another point. Indian administrators and economists are much exercised now about the consolidation of holdings, which at present lie distributed in small patches over a wide area. There can be no really remunerative husbandry under such conditions. Nor can there, so one would think, be much peace of mind or sense of comfort for the occupiers. We have had the same fragmentation all over Europe, and the same troubles arising from it. Wisely we have got rid of it—in England indeed in rather a rough-and-ready way. Outside England the operations performed for getting rid of the puzzle pictures of intricately entangled small properties have been far more methodical. There are no precedents worth recording to refer to, except those coming from Germany. What has been done in Germany really forms part of the enlightened policy opened up by that great Minister whom Professor Sidgwick has made his hero, Stein, who by his land legislation emancipated the millions of German serfs from their bondage and so created a free peasantry, to the existence of

which Germany owes much indeed of its agricultural greatness and prosperity. France is suffering greatly from the same evil of over-subdivision of the soil, the effects of which are, however, there mitigated by the lamentable thinning of the population by Malthusianism, which keeps land comparatively cheap for want of applicants for it. The French Legislature applied itself to dealing with this matter only just before the war. Nothing actually has yet been done. Common sense has helped the Swiss, a very agricultural race, over the difficulty in another way. They have their common pastures on the Alps and the Jura, but in the valleys their properties are for the most part self-contained. Germany has a whole armoury of measures appropriate to the purpose of consolidation at its command, which have rendered excellent service among a naturally docile race, such as is greatly appreciated by the persons affected. I have been a witness to some of these consolidations, for which, of course, as Sir Claude Hill has rightly suggested at a discussion of the Indian Board of Agriculture, the consent of those concerned in the rearrangement of the several fields should be obtained; however, that consent need not in Germany be unanimous. It is the majority which determines the matter—the majority within a certain area of which the applicants draw the limits. However, that majority is not a majority of landholders, but the majority of “assessment units,” which gives to the more valuable field larger voting power than to the less valuable of the same dimensions.

Obviously, since there must be consent and collaboration of the parties interested, Co-operation should be helpful in bringing this very urgent reform about. And so, thanks to the happy resourcefulness and judicious initiative of Mr. Hubert Calvert, when Registrar of Co-operative Societies to the Punjab, it has in fact proved—let me add, in the face of difficulties which had previously been set down as serious. In view of the prevailing laws on landholding and inheritance, and traditional custom, obtainment of the necessary consent of all concerned seemed hopeless. However, Co-operation planned the way and happy tact succeeded in achieving the desired result. Consolidation was proposed as a temporary measure, with a time limit of several years, at the close of which parties to it are to decide whether to terminate it or make it permanent. Consent must be general. The first

operations proved so valuable for all concerned that the practice spread—to be taken up in other parts of India. In January, 1926, about 40,000 acres had been consolidated in this fashion in the Punjab alone, about 200 societies with collectively about 9000 members taking part. And so pleased with the results were the population that, as the Registrar has reported, there were more applications for consolidations before him than there were employees to carry out. Since then the movement has spread farther. This is indeed a welcome success of national importance, which cannot fail favourably to affect the progress of Indian Agriculture and the well-being of the raiyat population.

Nearly allied to the subject of Consolidation of Holdings are the two subjects of Land Reclamation and Land Settlement, worked as a rule in combination, for the execution of which Co-operation has been found very helpful, and has accordingly been readily employed. There are Land Reclamation Co-operative Societies in several provinces and states. Thus in Madras Presidency, in the Tanjore and Trichinopoly districts, about 1600 acres are being reclaimed by seven societies, the roughest work to be done consisting in clearing away the immense quantities of sand deposited during the floods by the Cauveri. But there was considerable work besides, apart from the verification of titles. Towards such work the Government has helped with the provision of wagons and tramway lines.

Allied to this, once more, is the clearance of land from peculiar pests. Reh appears not yet to have been got rid of. But in Coorg an effective campaign is in progress against Cantana, which renders whole stretches of grazing land unprofitable. The Government have appointed a Committee to deal with the pest. But meanwhile local people have set to work to tackle the enemy by Co-operation.

To return to the commoner forms of Co-operation in Agriculture, next to labouring in common, one would think that in India there must be a splendid opening for the common employment of implements and machinery—quite apart from the employment of machinery for purposes really industrial, such as cane-crushing, in dairies, and so on. Once more, there are beginnings in India which promise encouragingly and only want to be systematised and extended to become exceedingly useful. Sir Denzil Ibbetson has

shown us what has been done in this way in' the Karnál District,\* where lanas, rathas and dangwáras, uniting neighbours for the common use of their ploughs, cattle and sugar presses, indicate a natural desire and leaning of the native population to common work and teach the utility of such work. In Europe the war has given a powerful fillip to such form of Co-operation, because hands had become scarce, and also draught cattle, and the very most had accordingly to be made of such working power as remained available. But that is rather Co-operative employment of a more pretentious sort—motors, tractors and the like. Similar common employment has, however, been practised for a considerable time back with the use of less bulky implements by small husbandmen abroad on a large scale. Only lately, however, has it been at all taken up in our country. But our small-holders have now come to appreciate it, because they find their account in it. Be the implement ever so humble, so long as it is not required for daily use on one farm, there is profit in acquiring and owning it co-operatively. And small beginnings may lead to great undertakings. I know of a Co-operative Society in Ireland which now owns a full equipment of valuable machinery of all sorts, besides smaller implements—all of them saving the members a good deal of money and labour—which began with laying down two rupees each member for the purchase of a binder. The saving made on the use of that binder in the first year proved sufficient to permit of the purchase of some other implements. And accumulation went on—the whole amount of machinery worth some hundreds of pounds standing the members of the society in only two rupees apiece. Of course, where there is Co-operative Credit—such as there was not in the case referred to—that helps greatly and accelerates the process. I have seen steam threshing machines with engines representing substantial value in Germany owned by Co-operative Societies, to pay the price of which no member of that society had ever been required to put his hand in his pocket for so much as a pie. Credit had bought the machines, and their own hire, at so much an hour—a little more for non-members—has subsequently paid for them.

\* See "Report on the Revision of Settlement of the Panipat and Karnal Parganah. Karnál District." By Denzil Charles Jelf Ibbetson. Allahabad, 1883.

Now the employment of electric power and light on co-operative lines is in great vogue in Europe, and it saves very much labour and money, and at the present time renders many a troublesome or unpleasant job easily bearable that used by its irksomeness to frighten people. We have one society in England which owns its draught horses in common and experiences no difficulty whatever in apportioning their use to the several claimants. And it is wonderful how even in the use of motor-ploughs, of reapers, of drills and sowing machines and threshing machines, members can without inconvenience or loss make their time fit in with that of others. Indian Agriculture, of course, has other uses for its implements and machinery than we have in Europe. But the principle remains the same.

And then there is common Sale, be it of the original produce of the farm or be it of articles manufactured out of such produce. Indians are now trying their hand at dairying. And one is bound to hope that they may succeed. For inquiry and research have shown of what truly vital importance a supply of sufficient and genuinely good milk is to the nation. Indians appear by long habit to have become accustomed to milk which is not only strongly diluted with water, but also dirty and unsanitary. However, there can be no question but that a supply of good, wholesome milk is, as Lord Willingdon has pointed out, a great national interest. "The whole of the population requires milk." So he put it. At least what is supplied ought to be of good quality. But that is, unfortunately, just the weak spot in Indian economy. And it is to be feared that bad milk is there accountable for very, very much of what bad health and what poor growth of the rising generation is to be met with. Therefore, too much attention can scarcely be paid to the subject. Indians generally do not appear to realise either the great nutritive value of milk and its necessity for human nourishment—especially for children—nor the serious danger that lurks in the diluted and contaminated liquid which they actually consume—so far as they consume any. Our British labouring population is now so keenly alive to these points that our co-operators—a section of the community representing millions, the *élite* of the working class—are making special efforts to provide for a pure milk supply by farming their own land for dairy purposes. "So much

depends upon the milk-supply," says the *Co-operative News*, justifying measures for ensuring it of best quality by the Co-operative Wholesale Society—and other large co-operative societies besides, "that, after bread-supply, there is *no other food more essential* for the Co-operative Movement from the production to the sale."

We have in England a National Clean Milk Society, the researches of which have disclosed even in London a state of things in connection with the quality of the milk—and of course, though that can only be inferred, the resultant bad health—which has been declared "a disgrace to civilisation." In India things are known to be very much worse. In the United States local authorities are armed with powers of coercion and punishment of a rather stringent character. Milk is there—since 1911—classed in three grades: the best fit for infants, the second for adults, the third for cooking. The effect of official control introduced is set down as truly surprising. When the service started, in 1911, about 40 per cent. of the milk supplied was found to be not even good enough to be included in class 3. Now there is scarcely any "class 3" milk at all.

In Canada authorities are as vigilant and as exacting, and the good effect upon the rising generation and on general health is said to be startling. Generally speaking, so it should be remembered, it was Co-operation in dairying which brought in the purification of milk, because, in the first place, improving the quality evidently must be the most effective means of winning in the competition with the established trade; and secondly, because, once co-operative dairying was practised, insistence upon cleanliness as well as a high proportion of butter-fat became indispensable in the interest of co-operating members themselves, so as to keep the balance fully even. The *gaoli* dealer can blend good milk and bad, and so make things balance for himself; the Co-operative Society has to judge between member and member and see that the supplier of bad milk does not intercept the due reward of the supplier of good.

While India has as yet only just begun its battle against Malaria by means of clean milk, Co-operation has set it very perceptibly active in its fight with the great enemy, who thins the ranks of its people, in another way, by the formation of "Malaria Societies," as its own speciality. Such societies

appear to be most numerous in Bengal, where climatic influences aggravate the evil to such an extent that for Western Bengal the proportion of cases of malaria has been given at as high a figure as 40·7 per cent. These societies are reported to be doing very good work in combating anti-sanitary habits and customs, draining wet land, and so on. And that is, once more, a service which only Co-operation, engaging the willing efforts of a local population, could effectively render.

In European countries co-operative dairying has become common on the very ground of its great utility to the public, apart from its economic advantage to those who practise it. It is not surprising that in India agricultural co-operators should have tried their hand at such form of Co-operation—nor yet that, the state of the market being as it is, the breeding of cattle as it is, and the practices of the *gaolis* and various toll-taking intermediaries as they are, that they should have experienced considerable difficulties in applying it. Nevertheless they are gaining ground visibly and have already distinct successes to boast of. The Bengal Milk Union, now recognised by the Calcutta Municipality as a body of public beneficence, is a satisfactory outcome from that laborious experiment engaged in years ago under difficulties at Dacca. And there has been progress elsewhere. A ready, and at the same time discriminating, but also appreciative, market having been created, *gaolis* are likely to accommodate themselves to its demands, intermediaries will be compelled to desist from unjust toll-taking, and breeders of cattle will then try to adapt their breeding to public requirements. Co-operative dairying without regard to quality would be a questionable acquisition. In any case it will be well to think of creating the market first and leave bacteriological examination and the like for a later day.

But it might be advisable to do something in the way of Milk Inspection. Co-operative Dairy Societies in Denmark—model of all models that it is for co-operative institutions in the service of Agriculture—since 1902 have their own arrangements for “milk-testing”—quite distinct from “cow-testing”—as a protection of one another among themselves. “There are now,” so writes Mr. Hertel in his “*Andelsbeveegelsen i Danmark*,” “fourteen such societies with 291 co-operative dairies as members. A Milk-testing Society

appoints a 'milk-judge,' whose duty it is to visit the dairies comprised in the society in irregular rotation and, jointly with the manager of the dairy visited, to taste and test the milk from each co-operator as it arrives at the dairy. The result of each judging is sent to the members of the Co-operative Dairy Society, and these are instructed in the proper treatment of the milk. The idea is to ensure a supply of fresh and clean milk to the dairy. In some societies deductions in the price of milk are made in cases of unsatisfactory milk; in others a small money premium is paid to the co-operators whose milk has come out best as the result of the year's testing, which premium is generally given to the person responsible for the milking and care of the milk."

There appear also to be productive openings for the application in the sale of cotton, in respect of which satisfactory beginnings are on record in various provinces, including the organisation of markets in Bombay Presidency; and in the employment of the juice of the sugar-cane—out of which, according to the opinion of the German expert Dr. Kaufmann,\* the United Provinces are in a particularly favourable position to produce a superior article. In Germany arrangements approaching to Co-operation are much in vogue for the making of beet-root sugar.

In the West Indies some thirty years ago we were in hopes of arranging something in respect of cane on the same basis. But it fell through. However, cotton is co-operatively dealt with—in a very commercial spirit—in the United States on a large scale. It is there the "Bureau of Markets" in the Department (Ministry) of Agriculture which plays on a larger scale the beneficent rôle which in India Mr. Keatinge has meritoriously made his own. The Director of that Bureau, Mr. Charles J. Brand, some time ago wrote on this point: "Within the last three or four years a number of such co-operative associations have been formed throughout the Cotton Belt, and these have succeeded in the production of uniform lots of cotton, the building of gins for the ginning of the cotton, and the employment of graders to give them expert assistance in the marketing of their cotton. Examples of such organisations are found in the Imperial Valley Long Staple Cotton Growers' Association, El Centro, California; Tempe Cotton Exchange, Tempe, Arizona; Scott Cotton

\* W. Kaufmann, "Welt-Zuckerindustrie." 1904

Growers' Association, Scott, Arkansas ; Beulah Marketing Association, Beulah, Mississippi ; and the Denton Marketing Association, Denton, Texas. Where practicable, the services of cotton experts are furnished by the Bureau of Markets to communities of cotton-growers for the purpose of demonstrating the use of the official cotton standards and the value of knowing the grade of their cotton before sale. County demonstration agents also have been supplied with sets of these standards, which are available for the use of the growers in marketing their cotton." Particular attention is paid to the keeping of pure seed and the establishment of uniform cotton standards, which make the produce so much more saleable.

"Keeping pure seed," says Mr. Brand, "is a problem that has been solved by some communities where gins handle cotton of only one variety. There is one county in South Carolina where it is said that ninety per cent. of the cotton grown is of one improved strain. This gives an advantage in marketing, as buyers know what they are getting even if the crop is sold in the seed."

On the top of this, Co-operation has stepped in to sort and grade cotton for the market, just as wool is sorted and graded. It makes the cotton sell very much more readily.

It is very satisfactory to find that this particular form of Co-operation, dealing with a product which, with improved seed progressively introduced, is becoming from year to year of greater importance, is "catching on" and making way in India. The results thus far achieved in the matter of sale seem distinctly encouraging.

However, the reference more specifically to co-operative dairying at once suggests a point to which Lord Willingdon called attention in an address to the Board of Agriculture, and in respect of which certainly Co-operation might be made to render valuable service. That is the point of the breeding of live stock. There can, according to all accounts accessible, be absolutely no denying that the general condition of live stock, of all kinds, is in India backward and uneconomic, and therefore wasteful. "Underbred ponies—bad breeding, bad feeding, bad treatment, undergrown bullocks—show animals which set the pace to the country"—such is Lord Willingdon's description of the existing state of things. To this must be added cows which yield little

milk and indifferent buffaloes very liable to 'rinderpest. That means more than a mere biological eyesore.

No doubt there are also splendid herds of excellent breeds in India, better suited to the country than our European—which Europeans are in the habit of regarding as a necessary condition to good cattle-breeding—would be, just as there are splendid horses and, it may be, some fine sheep and useful poultry. But they appear to be few and far between, the property of large landowners who, like their British compeers, make show herds of them. Now there can be no economy in the keeping of poor live stock. Professor Leitch, of the Agricultural College of Ontario, an institution of authority, in his "Summary" of a very instructive "First Canadian Farm Survey," not long ago instituted by the Canadian Government, very active as it is in the promotion of agricultural interests, thus put the point: "The quality of live stock determines the amount of food which may be fed profitably. Heavy feeding of stock of low quality means a loss rather than a gain." In Switzerland there are about 850 co-operative cattle-breeding societies, which enable the small man, with his one cow, or a few of them, to rival his lordly neighbour in breeding herdbook beasts, which sell at about five times the price of the ordinary market stock—when the market is favourable—the breeds there kept being in demand for breeding purposes practically all the world over.

But in respect of all species of live stock there is quite evidently very much good to be done by improvement, for which Co-operation provides the most convenient—and under some aspects the only—means, not only by the keeping in common of good males to serve as sires, but also by impressing upon breeders the utility of selecting good females. That applies, of course, above all things to milking-cattle and laying-hens. In respect of cattle the question appears a little complicated in India by the fact that it is at the time still mostly draught cattle that is there required. However, even in the case of draught cattle breed is breed. And breed tells in the case of buffaloes as well as in that of cattle. Herds under both heads seem in general terribly backward. And that means loss where there should be gain. For a good cow, after all, is a most paying animal. Our Italian peasant, who borrows money from the Co-operative Society

to buy it, says that it "repays its own price out of its milk, leaving the calf over as pure profit." In this matter what our British farmers still in their elementary way term "cow-testing societies" or "cow-testing committees"—which are, of course, all co-operative—are common in Sweden, Germany, Belgium, Holland, and Denmark; and they render quite admirable service. Even the mere testing of the cows as milkers, with regard to quality, hygienic and nutritive, as well as quantitative, has brought about an entire revolution. A poorly milking cow consumes precisely as much food as a well-milking one, and therefore costs in keep the same amount of money. But whereas the well-milking cow yields a good profit, the poorly milking one causes a direct loss.

Where "Cow-testing Societies" or "Control Committees" extend their advisory practice farther, they will tell the farmer how to feed more economically—for there are considerable differences in the feeding value of substances costing the same amount of money—how to tend their beasts most appropriately—indeed, how to farm "better," as the saying is now in India. Here comes in most strikingly the point already noticed, that Co-operation places at the command of humble, poor raiyats, with their small holdings, and their minimum quantity of live stock, all the resources of perfected science, the brains and experience which have cost much money, at practically no cost whatever.

In Europe the sale of live stock is likewise carried on to great advantage on co-operative lines. Expert salesmen know exactly on what market to place beasts of a certain description, how to bring them there most economically and at the right time, and how to defeat the wiles and tricks of the dealer. For India that is at present still "Music of the Future"—far future, it may be. And it would be out of place, therefore, to go into details on all these matters. But a word of commendatory mention is surely due to the Co-operative Fishing Societies, which, after many efforts, at the time appearing fruitless, seem at last to have gained a firm footing in Indian Labour economics. It proved difficult at first to make the fishermen understand in what respects they stood to gain by Co-operation. They were not sure about their rights. The middleman, who held them in peonage, frightened them. There was the difficulty of raising the means. And the difficulty also of making

sure of a market. But these difficulties appear now to have been surmounted; and with a plain profit resulting, the movement may be held to be well under way.

However, there is one thing certainly in which India might learn from Europe—and learn to some purpose, but to which it seems for the time disinclined to take. And that thing is live-stock insurance by co-operative action. That has in a sense revolutionised small men's live-stock keeping in Europe, not only reducing loss by animal mortality—such as is only too well known in India—but also reducing cost in insurance by the greater vigilance and local and personal knowledge enlisted. Co-operation has proved itself not only a remarkable cheapener of insurance, but also a means of making insurance far more effective. In the American Middle West practically all insurance, of all kinds, is monopolised by co-operative organisations—just as in the case of Irrigation, Co-operation has “swept the board.” The failure of the rather numerous efforts thus far made to render cattle insurance common in India is exceedingly disappointing, and must mean serious and substantial loss to the keepers of cattle. Great pains have been bestowed upon that work. However, provident spirit does not appear yet to be sufficiently alive among Indians. Let us hope that it will develop soon.

However, against this disappointment there is happily what looks like a promising beginning of success to set in the shape of co-operative housing. Better and more extensive housing, to take the place of *chawls* and *bustis* is badly wanted in India, and fortunately the attempts made to proceed with it have “caught on.” Bombay, more in particular, where a late Registrar, Mr. Ewbank, took this movement up in earnest, has a good record under this head.

In urban areas, likewise, ambitious attempts have been made to acclimatise Distributive Co-operative Stores, of the magnificent success of which, of course, news had reached India, causing eager Co-operators to cross the ocean and see for themselves the glories of Manchester, Glasgow, and so on, which plainly dazzled them and whetted their desire to set up similar factories of wealth in their own country. What these ambitious gentlemen failed to see was that a mill will give out no more in the shape of meal than has first been put in in the shape of corn. The wealth of Store

Co-operation is not what Co-operation has earned for its members, but what members have earned for themselves, and Co-operation has enabled them to *save* for themselves, instead of giving it to the bania. Give India five millions of "well-paid artisans"—as a late General Secretary of the British Co-operative Union has himself described the members, spending money freely at the Stores, and you will be able to rival British successes. For the present you have not got such men, and when the spirit moves you to imitate British doings you will have to begin at the poor end, as the twenty-eight poor weavers of Rochdale did, who became the "fathers" of this imposing movement, and deal in rupees instead of in lakhs and crores. It is certainly desirable that Co-operative Distribution should be taken up. It is the easiest form of Co-operation to practise and lays a good foundation of co-operative knowledge. But you will have to begin on a small scale, and there will have to be some rough ground to cover. Among civil, municipal and commercial employees and similar earners of regular salaries there is a good opening, which is in such quarters already being done justice to. And the practice will no doubt spread. But for the moment grandiose results, such as have in Great Britain astonished beholders, must not be looked for.

The Co-operative Dispensaries, Libraries, etc., which one sees tentatively rising up in India, are really an adjunct to the distributive branch—though the Libraries, just the same as the schoolboys' societies, really deserve to be ranked rather among educational institutions. There is undoubtedly something to be done in this way. In Europe we have got as far as to maintain Co-operative Restaurants, Sanatoria, Seaside Hotels, Holiday Resorts, and the like.

There is one great operating field for Co-operation, however, still to mention in India, which to me, and not to me alone, seems full of rich promise. India has been often called "A Country of Small Industries." It has been so called by so many authorities that that fact alone would appear to vouch for the accuracy of such nomination. Indeed, in company with Japan—in which country the tireless energy and steady application of small folk, laying sea as well as land under tribute for ceaseless productive exploitation, have found a grateful outlet for creative ingenuity and deftness of fingers in a variety of small handicrafts—India

appears above all countries to deserve the name which has so been given to it. And in view of the peculiar bent and aptitude which its people possess for its practice, in it small industry appears to have a prosperous future before it.

Certainly, considering the great importance of its small handicrafts to India, surprisingly little interest has been shown in that country itself in the prosperity and development of such industry. Marked attention is at present being paid in India to the development of large industry. That is a very common occurrence in countries advancing in economic action. Please God, India will have its well-developed large industry, extending and prospering and earning abundant riches for the country. But for a long time to come still it will of necessity have to rely for the support of its teeming population on the small handicrafts which can be carried on in country homes. For there is no other pasture for those flocks to browse upon. And surely there is ample scope for improvement to raise those millions to a more flourishing condition.

Elsewhere small industries are more or less on the wane. Electric power and the steam engine, the demand for *cheap* goods of *uniform* pattern, more or less all of a piece, and, by the side of these potent forces, capitalist power and the juggernaut of modern labour policy, crushing individualism under its huge wheels of insistence upon collective fighting with an ever-mobilised army—have wrought sad havoc in this once fruitful field of human industry. Oh, there is small industry still more or less everywhere. There are certain small industries which still pay those who carry them on a good wage. But on the whole the battle is little more than a rearguard action. And even the Governments stepping in to manage the sales—as they do in some parts of Germany—has not mended matters. People interested in the subject will do well not to take all the rosy accounts which official publications and English inquirers accepting information from official quarters rather readily give of what is being done, for pure gospel.

We are, in Great Britain, now bestirring ourselves to revive small industries in rural districts. In country districts small industries appear called for—all the more, it may be, that the rule of limiting working hours in paid employment threatens to leave much idle time on workers' hands. Shorter

hours are all very well. However, there are people who value pence above idleness. And what an immense amount of time is there in the winter season, in which small industry work, being interesting and stimulating to the mind as well as remunerative to the pocket, would be a godsend! And that it is which seems to mark out India so particularly as a land for small industries. Here is a population of many millions, 90 per cent. of whom are riveted to the soil, which, in its fragmentary small-holdings, husbandry provides employment for only during part of their time, while yet preventing the raiyats from going away to seek a living elsewhere. They have skill, these men and women. What remarkably attractive toys and knick-knacks, but also what charming and artistic articles of silver and ivory, do they not manage to turn out! And there is much small industry surviving, not only of the comparatively "heavy" kind, to which we are bound to look specifically for popular bread-winning in the future, such as spinning and weaving.

In India there can be no talk of a decline of small industries.

Mr. B. A. Collins has, in a recent number of the *Bengal Co-operative Journal*, reckoned up a whole host of such industries. Professor Radhakamal Mukerjee supplies even a fuller list, showing the great variety in which indigenous small industry survives. And Mr. Ewbank found in the course of a recent inquiry that small industry figures very largely indeed in Indian economic life as a whole. There were a short time ago, so he shows, of the 315,000,000 then peopling India, 35,000,000 depending on Industry. Of that number 18,000,000 were dependants, leaving 17,000,000 actively employed. And of these only 823,000 were known to be employed in power mills, leaving 16,693,000 occupied in small workshops. That clearly shows the capacity of Indians for small industry, and the readiness with which they take to such industry as to a congenial calling. But those 17,000,000 do not remotely represent the total of only partially occupied employable labour that the country has to deal with.

However, there is no reason why the balance should remain so very insufficiently employed. For, if India, on the one hand, possesses the requisite working power in the shape of many millions of only partially occupied arms and hands, directed in many cases by very capable and in almost

all cases very docile and teachable heads, on the other hand the wants of its population are so simple, so few, and so primitive, that hand power and the skill of a simple rural worker, working with simple implements, will suffice to turn out what will meet them without any further material paraphernalia. They do not want to be prepared in parts, like a piano, to be eventually put together by the last highly skilled worker, but may be fully completed in a simple village workshop.

Undoubtedly there have been difficulties to contend with. At the proper moment Co-operation has come in to speed Small Industries on their way—to instruct those who practise them in the use of their craft, to teach them more particularly how to act together, to fight the obstructing foe by common action, to give the financial aid and also the corporate strength that they require. It can teach them how to make their goods to better advantage and to market them to better profit. For marketing I would, after the comparative failure of the methods referred to and in view of the striking success obtained at the British Empire Exhibition, recommend a repetition of the efforts which I made unsuccessfully a few years ago to secure for Indian handicraft goods a recognised place in our great London emporia, where the great public could see them and learn to appreciate them. That done, I think orders would come in of their own accord. I am emboldened in this suggestion by what one of the Indian representatives at the Wembley Exhibition writes after a glowing account (in the Commissioner's Report) of the success achieved, to this effect: "If the benefit that has accrued to India from her participation at the Exhibition is not to be lost, it seems necessary that some permanent organisation should be set up in London to continue the work begun."

The Indian Industrial Commission, presided over by Sir T. H. Holland, already spoken of, took anything but a despondent view of the position and future of Indian Cottage Industry, as its very voluminous Report shows. Sir Alfred Chatterton, who is the recognised authority on the subject, showed himself full of hope, and pronounced even India's handloom weaving, which, as he said, is generally looked upon as "in a moribund condition," to have a brilliant future before it, if only it is properly handled; the existing market for

handloom goods of conventional type being capable of considerable expansion, if only a suitable organisation is created to educate the public and to bring the consumers into touch with the artisan. The Commission found the "art crafts" of India, producing wares of recognised and admired excellence and quite distinctive character, still being carried on with the old "skill handed down from generation to generation." But, the old patronage being gone, the trade has fallen into the hands of traders who domineer over the makers and push only *camelotte* goods, which count for nothing in the markets outside India. The skill is there, the hands are there, the opportunity is there. But the trade requires proper marshalling. "The industrial success of modern Japan, which is recognised, is due to the attention that has been paid, not only to the education and technical training of cottage workers, but to the building up of business organisations, which take over the products of their Industry and dispose of them all over the world"—pushing, as dealers in articles of eastern manufacture and great stores in London tell me, articles which promise, and in fact secure, a ready sale in Europe.

In respect of products of Indian hand industry there is nothing of this. There is no marshalling of the trade. And what is sent to Europe is for the most part made up of goods that people do not care to buy. There are fine embroideries, to be sure, but on common textiles; and toys badly lacquered so that, if a child were to put one of them into its mouth, it would run the risk of poisoning itself. (There is some confirmation of this in the Report of the Commissioner to the British Empire Exhibition.) But under this last-named head Patna is said to form a laudable exception. Now this will not do. Among the remedies required to set things right the Commission place Co-operation in the very forefront. Co-operation is required to provide for cheap purchase of materials. It can suitably organise the work of manufacture. And experience in Europe has shown that it can free the cottage workers from their present peonage under dealers by organising sale. However, the work of organising wants to be taken up seriously. There seems a deplorable and decidedly unpatriotic indifference to this important interest prevailing among those who might render aid. I personally have tried my best with my puny powers—having no connection what-

ever with trade. Some twenty years ago I endeavoured to interest firms in London in the sale of Indian brocade weavings, which Indian weavers complained that they could not get rid of in India. But all in vain. Later I obtained from the manager of one of our great emporia in London the promise to set up an Indian "Section"—as there are Japanese "Sections," which do very well—on condition that his establishment must not be held responsible for the sale. If there were to be no sale there must be others to bear the loss. One could not have expected more. However, the project fell through because there were no persons to be found interested enough in Indian welfare to make themselves answerable for any loss occurring through failure to sell. Evidently there was no belief in Indian goods selling. The same pessimism was shown by the Conference of Indian Directors of Industries held in April, 1920, when Sir Alfred Chatterton proposed that an emporium for the sale of Indian high-class art products should be established in London at a capital expenditure of £200,000. "The Conference were not inclined to accept the proposal." So, once more, it was when, at a later sitting, an invitation was communicated to the Conference for India to take part in the British Institute of Industrial Art—the invitation was treated with undisguised suspicion. "It was held that its object was not to benefit India, but to foster Industrial Art in Great Britain . . . giving British manufacturers an opportunity for obtaining *tips* for the improvement of their own wares." India, so it was argued, had practically "nothing to gain, but a good deal to lose." The invitation to attend the British Empire Exhibition was likewise at first treated with disdain. However, upon its being renewed, it was decided not only to participate, but to do so "on a worthy scale."

Well, that has been done, with the result that, as the Commissioner reports, Indian participation has proved a distinct success. Plenty of business was done, and, although of course that participation has stood the country in a goodly sum, no exhibitor has suffered loss. "India's representation deepened the impression produced by her co-operation in the War, and was recognised by British public opinion as worthy of the position she holds in the Empire and in the councils of the world by virtue of her great natural resources, ancient civilisation and culture and her commercial and

industrial importance." The articles of Indian manufacture have come to be appreciated. Much appreciation has been expressed, and in respect of sale, if only the display is followed up by appropriate measures, there can be no doubt that a good trade in Indian hand-manufactured goods may be established.

There are other testimonies to the same effect. Thus the Commissioner for India for the British Empire Exhibition writes: "The larger private exhibitors with few exceptions have expressed themselves as highly satisfied with the results of their participation." And, again, "a firm with an established business in London in Indian carpets and embroideries considers the Exhibition the biggest success it has known in the last years." Once more: "The Exhibition provided the hand-made and cottage industries of India with the most splendid advertisement they have ever obtained. . . . Not the least of the usefulness of the Exhibition has been the opportunity it gave to Indian exhibitors of coming into contact with English firms, discovering for themselves trade terms and trade requirements, and studying at first hand the tastes of European purchasers and ascertaining the classes of goods suitable for European markets and the potentialities for them of these markets."

The lady in charge of the lace and embroidery stall from Madras writes: "The very fine quality of the work displayed astonished most people, who had not realised the art and skill of the South Indian lace schools and industries. Very early in the Exhibition American visitors and others clamoured for the lace to be sold to them, in order that they might carry it back to their own land, and it was found advisable to break the rule made before the exhibition opened, that no lace should be sold outright until the exhibition closed."

The Travancore representative "has had a large number of inquiries about Travancore products, particularly coir mats and matting, copra, desiccated cocoanut, oil seeds, fibres, and tapioca. . . . There are already signs of the possibility of establishing new trade relations between Travancore and Europe. . . . There are indications of a foundation having been laid for the future development of Travancore trade."

The Madras representative "believes from the eagerness displayed that a large number of orders have resulted in the following articles, among others: rosewood, lace, cotton prints, fishery products, jute bags, coffee, and palmyra fibre."

The representative of Bihar and Orissa writes: "The results of the Exhibition have been excellent and have exceeded expectations . . . The classes of goods for which there has been a steady demand comprise silk scarves and rugs manufactured at the Silk Institute, Bhagalpur, lace made from the Ranchi convent, silver fish from Monghyr, stone images and elephants made in Gaya, and silk and cotton saris and ivory bangles made in Chota Nagpur and the Feudatory states."

The United Provinces Representative writes: "Participation has decidedly achieved its purpose. United Provinces industries and artware through its instrumentality have become known to a far larger commercial world."

Conditions therefore appear to be favourable from the outset, and the need of some breadwinning employment is undeniable. However, it is not primary elements alone which make the successful industry. People talk of organisation. And, rightly enough, they are very busy with appropriate instruction. That is the feature in respect of which Germany, with its elaborate teaching apparatus, with its technical schools, its itinerant teachers, its exhibitions and demonstrations, can teach us a useful lesson. There can never be too much instruction. India already possesses something of the kind. Those weaving schools, those fly-shuttle demonstrations and the like, of which we read, are admirable institutions in their way, full of promise. But they want to be pushed. However, the crux of the problem lies in the market. That is in every country, wherever small industry and co-operative organisation, both being necessarily in the same boat, exist, the governing fact of the problem. And it presents a hard nut indeed to crack.

We, in the United Kingdom, are now exerting ourselves to push small rural industries. We likewise possess the available power in the shape of only partially occupied hands and arms—not to the extent that India does, but quite abundant enough—especially in Ireland, where small-holdings are common. We too have men and women of

undeniable skill and creative capacity, brimming over with ideas, and manufacturing most tasteful, often quaint, generally original, articles. In our Exhibitions of such goods, held periodically, people who see the things wonder at the skill and taste which have presided over their making. Our "Rural League" is active, promoting the matter. In Ireland the United Irishwomen—a most deserving body of women workers—are doing all that they can to push it. We "organise," too—although not as we should. But it is the want of a receptive market which forms an obstacle to success. That is, of course, the trouble in connection with all co-operative production. And Indian small industry must—like all small industry—be *co-operatively* organised, or it becomes—or rather remains—a bania business almost necessarily impregnated with "sweating"—which is just what our weavers and shell and conch and lac workers, silversmiths, ivory carvers and the rest of them, want to get away from. The only hope of Indian small industry as an economic power, a breadwinner for the raiyat population, lies in Co-operation.

In the United Kingdom we have found a capital remedy for the want of a market in our distributive societies. One may be very thankful to Lady Carmichael, and her fellow-workers, and other kind people like herself, for organising the "Bengal Home Industries Association" in Calcutta. And one would wish it a hearty "God-speed." It will certainly help to advertise small industries. And it may lead to a limited number of sales. However, we have tried similar institutions in England and in Ireland. I have seen them tried abroad, at Rome, at Milan, at Paris, at Lyons. Lady Brabazon has one store in the West of London. We have had one in Bethnal Green. Our productive Co-operative Societies have had one in Bloomsbury. Nowhere have the results been of any magnitude. Really such stores and exhibitions produce only comparatively trifling sales. And in all such sales there is a smack of patronage and favour. Things are bought, not so much because they are wanted, as because kind people wish to assist a good cause. There is only little *bond fide* free marketing. Our productive Co-operative Societies find the main outlet for their wares in the distributive societies, which, indeed, take them in part from a feeling of fellowship. Unfortunately, in India

you have not yet got those powerful distributive stores to help small industries with their custom.

And by the side of weaving and spinning, toy-making, silverwork and the like, there is the great industry of small folk, fishing, in which, according to Mr. Southwell's testimony, Indian fishermen get very badly treated indeed by their salesmen. One may be heartily glad to see that in this branch of small folks' industry relief is gradually being brought by co-operative organisation.

## XI

### THE FUTURE

IN the foregoing chapters I have endeavoured to tell the story of progress made in India by Co-operation, and to point out both the strong points and the weak observable in the movement which is now only little over twenty years old. On the whole, I hold that we may decidedly be content with what has been accomplished.

Thanks to the vigorous action of the Departments and officers concerned—supplemented to an unfortunately still very moderate extent by very welcome support from volunteer workers—and the declared appropriateness of the co-operative institutions recommended to the conditions of the country, a great deal has already been accomplished—quite enough to entitle those concerned in the matter to a feeling of satisfaction in their success.

We have produced a movement marked by decidedly distinctive and commendable features, constituting, not a mere copy of what has been created elsewhere, but a system bearing a character of its own, distinctly suitable to the circumstances of the country, rich in the variety of its applications, doing good certainly in the attainment of the aim first made for, that is, the stoppage of erst rapidly progressing impoverishment of the raiyat population by mahajan exploitation, sowing the seeds of new knowledge for the better handling of Agriculture, for common action in many profitable ways, and in raising the character and tone of the population.

Co-operation has in India managed to spread out its net over a wide ground and apply its principles and action to a great variety of purposes and classes of work, teaching other countries to how many uses its powers are applicable. We see the firstfruits to-day. Surely, with the advance of time we may look forward to a plentiful and valuable harvest.

There is, as already indicated, disappointment expressed in some quarters, to the effect that our "great deal" is not a very great deal more. There is a colossal empire to be captured, and thus far, so it is objected, only handfuls of seed have been strewn out and brought to sprouting point. Good people like to aim high. And fond reformers hope to see the world changed as by a touch of magic. The most impatient critic for the present, Sir Daniel Hamilton, has himself avowed that "when I called the Young Men's Zemindars' Society" into being I seemed to see the vision of a new India rising from the old. Well, that "new India" which was to reach "from Burma to Bombay, and from the Himalayas to Cape Comorin," with "villages linked together into Unions, and Unions into larger Unions, reaching up to a golden dome above," has not yet come. Please God, it *will* come. But such transformations are not to be completed in a day. We are, as Sir Robert Carlyle has rightly pointed out on one occasion, at a Registrars' Conference, building, not for the present only, but for a long—let us hope, a very long—future; and we have to take care that our plans are correct and our materials sound. Jerry-building, which runs up pretentious façades in no time, will not answer for the purpose. We have to see above all things that our foundation is sound.

However, even when all this impatience is discounted, it will have to be admitted that vastly more remains to be done than has been already accomplished. And by the light of the experience thus far collected we shall do well to reflect on what will have to be done, or may be done, to accelerate future progress and widely to expand operations. We are engaged upon a great work, which is not purely economic or financial. The best part of it really is social.

For Co-operation is, as M. Luzzatti has laid it down, "a form of business founded upon a lofty ideal; the measure of the value of the business is the degree in which it is illuminated by that ideal (*La Co-operazione è un affare sorretto da un'idea morale; tanto vale l'affare quanto splende quella idea*)." It is the raising not of money, but of character and of mental status, qualifying for the obtaining of further good, which constitutes the greatest benefit conferred by Co-operation and which accordingly Co-operation has the most urgent duty to strive for and the best right,

when achieved, to make a boast of. It is to make the nation better as well as richer, and more internally united, with more objects in common, more thought of one for another, more bonds to sling around the isolated sticks, to make of them a strong faggot. It is to supply a modern substitute, appropriate to the times, for the defunct and worn-out old Indian village community, which is, as the Registrars' Reports show, regretted not merely in the North, the district to which very accountably Lord Meston specially referred in the passage of a speech of his already quoted. It has, *mutatis mutandis*, accomplished much in this way wherever it has struck root well in Europe. And conditions in India appear to be more, rather than less, favourable than on our side of the Red Sea. For the natural bent of Indian people appears to me most to incline that way. There is also still more Nature in India, more mutual interdependence. In respect of Industry, the big chimney and the buzzing machine have not asserted nearly so wide a sway. And small industry, hand industry—the suppression of which in Europe Arnold Toynbee so much regretted—has, as I have put it, still a thoroughly good chance, and is, if judiciously practised, indeed almost a necessity.

Drop the ideal objects of Co-operation and the conception of comprehensive breadth, and you lose the best part of the institution.

Well, when we see litigation greatly reduced among the co-operative host, whose members more and more refer differences arising among them to the judgment of their *panchayet*, or its special officers corresponding to the *pro-biviri* of Italy, and when we find one Registrar writing, "That the movement is also helping to raise the moral tone of members cannot be questioned. The members are slowly but steadily learning the virtues of thrift and temperance. Every year reports are received showing instances of curtailing ceremonial expense, giving up habits of drinking, of disputes settled by the members themselves, and similar other illustrations of the gradual improvement of the members." And another: "The countryman is no longer silent at meetings (such for free talk preferred), but knows how to answer selfishness. The keenness shown in lecturing and argument is remarkable. To those who remember the conditions of ten years ago the change which has

taken place in the attitude of the rural population and of the poorer urban classes towards the movement is amazing and almost incredible. In 1916 a society was suspected as a snare, while an Inspector was feared and avoided as a tax-gatherer."

We cannot doubt that moral and social good is being done. Members join one another in work—very charitably so in assisting those prevented by illness or misfortune from doing justice to their farms—and join together readily in making roads, clearing away sand or silt for the common good of the village, building schools and paying school-masters.

Of the material benefit brought to India by Co-operation, more specifically by Co-operative Credit, there can be as little doubt. Every Registrar's annual report tells of material relief brought to the raiyat class and also to others. And, as Lord Meston pointed out some years ago, that does not by any means tell the whole financial enrichment secured for the country. For the cheapening of Credit has extended its benefit a good bit beyond the limit of the population actually enrolled under Co-operation. In addition, Thrift has widened its domain and helped people lately still quite unused to it to accumulate the beginnings of wealth. Thirst for knowledge, technical and general, for the improvement of Agriculture and for general Education, has been very perceptibly whetted; waste, as in religious ceremonies, has been reduced, and indeed a new economic horizon has been opened to the humbler population.

However, although we have undoubtedly made a good beginning in our ambitious work, the greater part of that work still remains to be accomplished over a territory the largeness of which almost amazes one.

Now let us ask, after I have in my opening remarks given credit to the helpful forces presenting themselves in our progress, what are the hindrances which have held us back?

They are in the main two. And about neither of them can there be any doubt. Things speak for themselves.

In the first place, the great drag on the machine has been throughout the hopeless Ignorance of the people to be dealt with and to be benefited—ignorance betraying itself not only in that formal "Illiteracy" which has placed obstacles in our way at every turn, but Ignorance also extending to

business transactions of the simplest sort and to understanding of plainest facts, such as the responsibility incurred and the rights acquired by membership.

Now there is but one opinion among all who are in a position to judge, that it is Illiteracy and Ignorance among the population which constitute the great hindrance.

"Against Ignorance," according to the Latin proverb, "even gods fight in vain." If progress is to be made, that Ignorance will have to be somehow overcome. It is Illiteracy and Ignorance which stare us in the face in the *panchayet*, at the General Meeting, in the wide surroundings from which new members are to be recruited. The coveted gold lies within their reach; they need but stoop to pick it up; but in their ignorance the rock which contains it appears to them to be but worthless rubble, such as the valuable South African mineral appeared to local residents before an English traveller by chance detected the precious ore concealed within its stony crust. "Nobody can work for any length of time among the societies without being struck by the great drawback which the movement suffers by reason of the illiteracy and the ignorance of the members of the rural societies. Those members must be educated, if they are ever to learn their rights." So wrote a Registrar some years ago.

There is great trouble generally about finding a man learned enough to do the secretary's simple work of very elementary book-keeping. And when a man equal to that task has been discovered, his fellows' ignorance, as a rule, still hinders him or else makes him, to the members' hurt, their master and the arbitrary disposer of their funds. That it is which has led to the appointment of "group secretaries," who, often enough, lord it over members in an even worse fashion than does the society secretary, and with even less right, inasmuch as they have no personal interest whatever in the society for which they keep accounts and write minutes as salaried servants.

It is Ignorance and Illiteracy everywhere that prevents people understanding the principle and object and character of Co-operation; it makes them take what is intended as their own *intisam* for a Government institution dispensing public money doles, blunting to the extent of fully deadening their sense of responsibility, and so it prevents the practising

of Co-operation, as it should be practised, to secure them its full benefit.

Now this ought not to be left to continue. If you want to grow a remunerative crop of wheat, you want to make sure that you have a well-tilled field, ploughed, cleaned, harrowed and with a well-pulverised tilth, upon which to strew your seed. Indian Registrars are still compelled to strew theirs among unbroken clods and on couch-covered waste. The "tilling" of the mind is Education.

Now there is no one who knows anything about Co-operation who will not readily attest that Co-operation in itself educates—that in one sense indeed no better educator is to be found. It is not belying its character in India. Evidence to this effect has been quoted in a preceding chapter. One of the most remarkable, the most promising results of its action there indeed is the inspiration which it has infused into those who in the rudimentary way still only possible to them practise it, of an intense keenness for the acquisition of knowledge—general knowledge as well as technical. It is not only that they want to do better for themselves materially. It is not only that they want to learn the methods of Co-operation—the "Nine Points," or whatever the number may be, prescribed to them by Registrars. They want to learn to read, to write, to understand. And they also want to know how to carry on their trade of Agriculture better than they do now. Many societies, to do them justice, readily and heartily respond to that eagerness according to their power. They willingly apply to the Registrar for permission to expend the "10 per cent." of their annual surplus which the Act allows them to employ on works of common utility, for educational purposes—money for the *guru*, for whose accommodation societies have out of their funds set up humble residences; money for the society *pathshala*, which is becoming a familiar feature; for classes, libraries and the like. There are societies which have required their secretaries to give lessons to the children of members on several days in the week as one of their official duties. From more villages than one comes the information that, if parents can only manage to pay the *guru's* modest fees, thanks to the society's fostering care, Education will be at the call of every one of their children. To state one instance—from Ranchi, where

missionaries are active among a generally backward population, comes the advice that soon enough "every child whom its parents can spare for the purpose from the fields, and for whom they can pay the small fee, will have Education within its reach."

Here is recognition of the fact that it is not purely co-operative training that is coveted, but general Education—and, once more, not merely the elementary knowledge of "the Three R's," but through them, and through the instruction acquired with their aid, the rudimentary formation of the mind, the awakening of the intellect, automatically extending the sphere of learning. "There is not a man who has done work for the cause," so writes one active Registrar, "without broadening his mind and his sympathies, while acquiring much fresh knowledge. . . . Our village societies with unlimited liability, once started, commenced to improve in quality and to show a spirit that had not been expected to appear so quickly. From the ranks of the society capable men commenced to appear." Our British Co-operative Societies teach their children co-operative principles. But of the crore and a half of rupees that they expend annually upon "Education" a goodly portion goes to *general* schooling, with the endowment of "purses," "exhibitions" and "scholarships," even at Universities.

In the famous "High Schools" of Denmark—which are quite unique as manufactories of learning for the rural population, raising Danish youth to the highest standard of mental culture known anywhere among people of the same station—it is, as a rule, neither Agriculture nor Co-operation that is taught, although both Agriculture and Co-operation benefit phenomenally by the teaching so given—but general knowledge. The seedbed is thus prepared, carefully pulverised, drained, irrigated, subsoiled, hoed and fertilised, upon which intellectual seed of any kind may be strewed, and will thrive—as will also that real Agriculture and real Co-operation of which it is the type, and for which it is the preparation. It is not "coaching" or "cramming"; it is real forming of the mind, which produces capacity for the acquisition of all knowledge.

No doubt better use might be made of the education which Co-operative Societies in India are evidently very ready to impart.

Aye, but that rather confuses matters. For Co-operation is indeed there to teach. But to teach as this gentleman would have it is not its proper business. It does it now as well-meaning people teach as a service to their kind—say, in a Sunday-school. They render this voluntary service, yielding it because there is no one else to do so. However, in truth, such teaching, bringing the youth of the nation up to the mark of being prepared for acquiring more, even though that only still be purely rudimentary, knowledge, clearly is the duty, as we now understand it, of the community. It is the whole community that stands to be benefited by it. The teaching that Co-operation can give, and is called upon to give, is in the main that which it imparts in the practice of Co-operation. That is why we are right in welcoming those schoolboys' Co-operative Societies, formed in imitation of some students' Co-operative Societies in England—Oxford leading the way—as preparatory teachers of Co-operation. The petty savings which the boys make in their purchases of stationery and the like very probably will fill their young hearts with joy, though they amount only to rupees. However, the boy that has been a member of such a society, and taken an interest in its doings, is likely to take an equal interest in the doings of a larger society in after-life, to prove a better man of business, a better citizen, a better man. He may be assumed to leave school fairly well grounded in the rudiments of Co-operation. If he belongs to the higher grades of society he may be expected to become an active apostle of Co-operation, like the University students of Finland who have, with their unselfish and devoted zeal, proved the main making of that admirable Co-operation, known by the name of "Pellervo," of which we admire the rapid expansion and fruitful results in their country.

However, when all is put upon Co-operation that Co-operation can carry, General Education of the child still remains a matter for the community at large. Co-operation will come in to help, so we may be sure. But the ordinary school is a department for the public administration to take charge of, since, as observed, it is the community which gains the benefit from a better taught, better mannered, better morally schooled, and therefore more easily governed population. There is elementary Education wanted before

Co-operation steps in to improve it. It was to promote such that Sir Charles Wood issued his famous Despatch of 1854, obedience to which would have set the matter on a proper footing.

Regrettable as it is, it is a striking fact that, as compared with other civilised countries, it is the countries in which the English language is spoken which are particularly backward in specifically rural elementary education. In no other civilised country does the same state of things prevail. Everywhere else—in Germany, France, Denmark, Belgium, Switzerland and so on—is rural teaching treated as a speciality with a distinctly *rural* tone given to it. Among English-speaking people it is not so. The United States are now putting their shoulder to the wheel, having discovered the defect, which was as glaring there as it is in India or, for the matter of that, in England. For we in England are in precisely the same case. There is plenty of Education among us. But what is sadly, badly wanted in it is what Mr. Brooke Hunt, of the Board of Agriculture, has in his evidence, given in the course of an inquiry on the subject recently held, aptly termed “a rural atmosphere.” The consequence is that young folk so educated either fix their gaze upon some other calling—for which in fact they have been virtually prepared in their schooling—and accordingly desert the fields and villages; or else that those who remain behind, being mainly the dolts, whose deficient intelligence does not fit them for such ambition, remain practically the dolts that they were, forgetting in very little time the unsuitable learning that was mechanically filtered into them.

We are now trying to amend our educational system in England by a very thorough reform. But who can tell whether amid all that thinking and scheming for the raising of future *softas* proper justice will be done to the denizens of the fields? In America they have become aware that strenuous labour in that direction is required. “We want,” so a leading agriculturist, Professor at an Agricultural College, exclaimed at one of the latest Congresses on “Marketing and Farm Credits”—that is, practically, Co-operation in Agriculture—held in the United States, “a veritable campaign of Education.”

In India the situation is even more serious. For not only

is there, as Mr. Wynne Sayer has shown, no rural tone in rural Education, but there is much too little teaching altogether.

And Elementary Education is, as has been pointed out repeatedly—last by a writer so well acquainted with all features of Indian life as Sir Valentine Chirol, in his book “India”—terribly wanting in India. The Government has, as Sir Valentine points out, done not a little for the extension of higher education, at Universities and otherwise, by such means in truth creating a host of educated people for whom there is no employment and who become *des pauvres honteux*, not a desirable class to foster, who “cannot dig, and to beg they are ashamed,” and do not evidently take overkindly to the well-intended efforts to train them for Agriculture in the zemindar settlements. Meanwhile there has been no relief brought where the shoe really pinches. “The rural pupil,” so Lord Meston wrote not long ago, “is at present the Cinderella of our educational system.” And that is a clog on the rural population. It shows its clogging action at all points.

At its tenth meeting the Board of Agriculture in India passed some very emphatic resolutions exposing the absolute insufficiency of the present educational system for rural wants. One resolution there passed explicitly declares that “the present system is wholly inadequate in respect of the provision of suitable textbooks and premises and, above all, in respect of the training and pay of teachers.” Another resolution rightly reminds the Government and the public that “an improvement in the economic condition of the agricultural population of India is a matter of the most fundamental importance to the country.” And it freely speaks of “revolutionary improvements needed in the system of Education.”

If we are to have fully widespread Co-operation, doing all the good that we expect from it, we shall have to lay ourselves out for “catching our co-operators young.” That is one reason for favouring those “schoolboys’ societies,” of which Mr. Ewbank during his Registrarship in Bombay pushed the formation, with so much success that at the end of his tenure of that office there were no fewer than 270 such societies in existence in the Presidency. “You cannot make old dogs learn new tricks,” said Joseph Chamberlain

when prosecuting his Tariff Reform campaign. The old raiyat, now used to old ways, is not easily taught the "new" ways of Co-operation, which make him a responsible manager of his own affairs. Italy had the same difficulty to cope with. Old men, being illiterate like their Indian colleagues, would not understand the principles of Co-operation. By insistence on the condition that no one should be accepted as member who could not sign his appeal in writing with his own hand, they were made to acquire at any rate rudimentary literacy. They learnt it from their children and grandchildren, who, in their turn, were made to attend school. And they became as excellent co-operators as the German peasants.

How is it that Elementary Education has been so terribly neglected in India? Sir Charles Wood, whose good work for India stands as an enduring monument to his reign at the Board of Control, pointed out the urgent need of it in his famous despatch of 1854, which document remains a milestone in Indian history. Had the directions given in that despatch been carried out, we should, as observed, have an elementarily educated India at the present day. The work may have been judged too costly. However, as the American Senator Benjamin Hill has rightly reminded Congress, "there is nothing so costly as Ignorance," and "Education is the one thing for which no people ever paid too much." India has saved its "pence"; and it now laments the absence of its "pounds." Adults want Education too, if they are to make useful and trustworthy co-operators. But the process of Education is easiest in children. And it is what the child learns that the old man best remembers. The secret of Responsibility, upon which in Co-operation, and above all forms of Co-operation in that of Credit, all depends, is difficult to be filtered into the mind of the adult raiyat. However, it is absolutely indispensable. All the trouble, all the shortcomings which now are noticed in Indian Co-operation, and are—not unreasonably—the subject of very serious complaint quite obviously spring from non-realisation of the duties of Responsibility. Those heavy overdues—which by their amount form a real danger, as well as a disgrace, to Indian Co-operation—are unmistakably caused by the failure of members of co-operative societies to realise that it is *their* liability which is pledged

for the unpunctuality or worse of their fellow members. The evil has become serious. Without common understanding of its danger there is no stemming it.

Severe "strictness" in respect of the fulfilment of a member's duties is the pillar upon which the whole structure of Co-operation rests. It wants to be enforced at all costs. There must be, not only honest repayment, but punctuality as well. Nevertheless, in India laxity goes on, if indeed it does not grow worse.

Regular and searching supervision is the indispensable but effective safeguard against overdues and, indeed, all faults in the management of Co-operative Credit Societies. But the general complaint is, that there is far too little of it, and much of that only superficial and inefficient. Once more, it is want of realisation of their responsibility by members which is accountable for this. We have the proof in the better execution of supervision reported in societies which are bound to intensified responsibility by their membership in "guaranteeing unions." The guarantee given for another society—in itself abuse that it is—has at any rate the useful effect of leading people to recognise the existence of a liability. And accordingly they keep their attention a little better agog. In their own society, on the other hand, they do not seem to realise that precisely the same principle applies.

Central banks charitably usurp the office of supervision—and execute it badly, as the Government of the United Provinces has reprovably declared, because there is no one else to take charge of the work. That is, once more, because, uneducated as they are, members of the societies are blind to their responsibility.

*Panches* monopolise—or try to do so—the benefits rendered by the societies. That is because members, accustomed to *sarkari* doings, do not trouble to watch the business for themselves.

Registrars are perfectly right in cancelling the registration of societies which are negligent. There has been nothing in the history of Co-operation in India to please me more than the wholesale dissolution of peccant societies executed about a year ago. There can be no improvement without such discipline. In the words of the Officiating Secretary of the Development Commissioner of Burma, commenting on

this "purgation": "It is quite obvious that the only safe course to pursue at present is that of relentless elimination of unsatisfactory societies, and that no expansion of the movement can safely be undertaken until it has been purged of its present weaknesses and the well-managed societies are relieved of the incubus of their unworthy fellows." But it would have been better still if it had been possible to avert the cause.

The root cause of the mischief at all points is the want of Education.

Look at another point in the Co-operative problem. Small industries, on the prosperity of which so much depends in India, are backward and languishing. Why cannot they adopt the best, and therefore most economic and most profitable methods of production? Why cannot they study the tastes and requirements of their desired customers, as the Japanese do? Why is it so very difficult to induce them to act together? Once more, because they are too ignorant to see the advantages of such a course.

Again, what hinders us in Agriculture? What promotes malaria and ill health generally to the serious extent to which it exists? What makes people drink polluted milk?

At all points affecting the humbler classes, depending upon Labour, it is Ignorance which hinders well-being.

Unquestionably the greatest possession that India stands in need of is Elementary, popular Education. Without it Co-operation, like all other helps to national well-being, must needs be useless. Give it, and it is bound to do good and prove efficacious, and bring about that "transformation" that Sir Daniel Hamilton and his friends cry for.

Indians now have the bestowal of that good and great gift to a great extent in their own hands. It is the Provincial Councils which can decide what is to be given. The money which such giving will cost will, if laid out in the proper way, not prove thrown away. Let us hope that it will be given in good time.

However, Popular Ignorance does not stand alone as a cause of the want of Progress and of the defects which still disfigure the practice of Co-operation. I hope that I have shown that in the great general principles adopted the Government of India has acted with a wise discretion. It has ascertained the best principles to enforce for guidance

and has carefully watched over their application. Within the scope of those principles it has rightly left a fairly free hand to the operating officers who, applying the principles with some freedom, have cleverly managed to adapt them to a variety of differing circumstances, producing on the whole a happy result, so far as their power goes. Those Registrars must be allowed to have loyally done their duty, with zeal and interest, studying means available for bringing familiarity with Co-operation with all its benefits home to the people whom they were appointed to teach, and in this manner to pilot Co-operation along on a successful course. They have managed to bring co-operators together for common counsel, and common action in a variety of ways, all being to the good and the practice the right one—Conferences, Federations, Branches, Unions for Counsel, propaganda and organisation gatherings of various sorts with such well-founded and well-directed, and therefore useful, institutions as the Bombay Co-operative Institute, the Bengal Organisation Society, and the Madras Provincial Co-operative Union leading. There is no better method of popularising knowledge of Co-operation than that so adopted.

But how about the number of men so employed? Is it at all proportioned to the breadth of the country to be operated upon? One man can, after all, do only one man's work. And here is a country to be occupied, for which Sir Daniel Hamilton and his friends call for "10,000 teachers and 100,000 organisers"! Here are eleven provinces—I think that is the correct number—teeming with population. Some are larger by themselves than an entire European State. I remember in the early days writing to Mr. Gourlay, who was doing yeoman's work in the Presidency of Bengal, about something or other to be done. His reply was that he was, in Co-operation, at the head of a Province larger than the whole of Germany—Germany, with all its teaching, organising, and administering apparatus, its dozen or so of Co-operative Movements and Unions—there are now more than 52,000 co-operative societies, with more than 25,000,000 members in them, more than 22,000 such societies being societies for Credit. What could one man, however able and however active, having under him a puny staff, be expected to accomplish on that immense territory?

Things have improved since then. Staffs have been

strengthened. But have they been strengthened sufficiently? We see in various methods adopted—I have instanced “guaranteeing unions” as one such—means adopted for rendering the work a little more manageable to the eye, but only by slurring it over and to some extent scamping it. A “guaranteeing union” will not replace a competent inspection. The main thing, that is, the thoroughness of inquiry, inspection, and instruction, is sacrificed to a misleading appearance of good working. We hear of Inspections, the checking, upon which all hinges, and which are a great deal more instructive than preachings and general explanations, neglected—left undone or else executed in a hurried and superficial way. Co-operation for Credit is in India still in such an elementary stage that it would be excellent practice for inspectors, after inspecting accounts and doings, to call members together—occasionally, not of course as a regular item of proceedings—and explain to them what the business has been, why this act has been approved and that queried or disallowed. That would bring home to members just what they want to be taught and teach them how to check and control the *panches*. It is the regulating part of the whole machine, which becomes altogether unreliable without it. Make the system better understood, and the movement will spread and multiply its benefits rendered.

The movement has its volunteer supporters, to whom the country owes great thanks. We must assume that they do what they can. But they have other things to think of, which concern them more intimately. We cannot look a gift horse in the mouth. We want a great many more men of this sort. Because volunteer work is just the sort of support which would tend to keep the Movement spreading—but de-officialised. The volunteer workers, as observed, undoubtedly do what they can. However, with the call of other work upon them, they cannot be relied upon to do all that *wants* to be done. There must be sufficient regular workers and teachers. It is the continuous watching of the master’s eye which keeps the horse in good condition. And especially in the early stages—which we are not altogether out of yet—does the watching and checking require to be well and carefully carried out. For every doing of it is a lesson, and a stone in the foundation of the Movement.

To bring more educated work to the job, the Government has urged Revenue and District Officers and other officers of the Administration to take an active part in the Movement. Well and good. But we have had suggestions of such officers interfering as a superior authority, bringing forward motions of their own and superchairmaning the chairman. There would be more poison in this than good medicine, even apart from the fact that such interference could at best be only casual and leave many lacunæ. The great desideratum is that, cost what it will, members must be taught to do things for themselves, avoiding all suggestion of *sarkari* action. You cannot have genuine Co-operation with a Government officer—other than a Registrar, whose position is peculiar—invested with official prestige at the head of it for practical work.

Now cannot Provincial Governments, to whom the oversight over Co-operation has been transferred, find it in their heart to increase the staff of officers in the regular service of the Movement to a point of at any rate moderate sufficiency? There is no need to go the full length to Sir Daniel Hamilton's "10,000 teachers and 100,000 organisers." We could not well train all that number for their work, to do it properly. And we do not need so large a number. But cannot the country provide for those that we do want, in its own interest? The work wants careful teaching. There ought to be one or more training schools, in which inspectors could be carefully taught. These men should be sent about the country wherever there are co-operative organisations formed, and in their turn instruct local people. Some of their service would have to be permanent, and after an initial stage ought to pass under the control of the co-operative organisation themselves, as *their* affair, to be paid for by themselves, since it would be to their own profit. Local advisers, so to call them, should then meet periodically—annually, it might be—to compare notes. And in this manner the whole supervising of the service of the Movement would be benefited and brought up to the mark. And if such teaching could be made effective, over the entire area occupied by organisations, we should soon see a notable improvement in the service.

Doing this would, of course, mean an additional tax upon the country. However, that tax would, for the reason

already stated, need to be only temporary. For the Movement would in course of time be able to provide sufficiently for its own needs, as similar movements do easily elsewhere. And the tax would be well worth its cost. The late Lord Curzon has paid me the compliment, when approving the Act of 1904, of stating that it was in deference to my opinion that the financial sacrifices of the State in aid of Co-operation were narrowly curtailed. That is perfectly correct. I did plead for that. But my pleading applied to State assistance in money for *business*, not to assistance for teaching that business—in the same sense in which Mr. Gladstone in 1862 forbade spoon-feeding in the case of Industrial and Provident Societies, while willingly allowing other assistance.

Business, to be worth anything, must necessarily stand upon its own bottom, provide for its own needs. Co-operation is a great boon to those whom it is now desired to see practising it; and as such is well worth paying for by themselves. But teaching it stands on a different footing. The child wants to be taught at its father's expense, to be able eventually to fend for itself. Fending for himself is what the Indian co-operator is intended to do. But to be able to do so he must first be taught. The "god of Victories," according to the judgment of the great Napoleon, is "the god of big battalions." Give us the "battalions"—they need not be overlarge, but they must be sufficient—and our victory will be certain. And the final result may be that as which one native Registrar gratefully characterised it when writing: "Co-operation is the greatest boon that India has yet received."



## POSTSCRIPT

ON the very eve of the book going to press, when practically all the type is ready paged, I receive, by favour of the Government of India, the new official "Statements Showing Progress of the Co-operative Movement in India during the year 1925-26."

The principal data recorded in those "Statements" will be found of interest.

The Movement, so it is shown, has overspread all India—Native States as well as British India—the larger such States, to wit, Mysore, Baroda, Hyderabad, Bhopal, Gwalior, Indore, Kashmir, Travancore, and Cochin having their own departmental administrations, formed on the same lines as those of British India.

Taking the year 1910 as their starting-point, the "Statements" show that the number of Co-operative Societies in all India had, up to, roughly speaking, the middle of 1926, increased from 1,926 to 80,182, the number of members in Primary Societies (the Societies distributing benefits) from 161,910 to 3,058,025, the Share Capital owned (there are many Societies without such, based upon unlimited liability only) had grown from R. 13,19,000 to R. 7,80,65,000.

The total working capital stood in 1926 at R. 57,60,39,000—R. 53,00,67,000 belonging to Societies in British India and R. 4,59,72,000 to Societies in Native States. Of that capital R. 7,80,65,000 consisted, as already shown, of share capital, R. 5,13,10,000 of Reserve funds, R. 3,88,61,000 of Deposits from Members, R. 2,02,15,000 of Deposits and Loans from Societies, R. 19,21,90,000 of Deposits and Loans from Provincial and Central Banks, R. 18,16,00,000 of Deposits from Non-Members, and only R. 1,38,04,000 of Loans from Government (including Advances to Societies carrying on work such as Irrigation, Draining, Housing, etc.).

The total of Loans made during the year was R. 33,23,90,448, namely, R. 18,05,11,772 directly to Individuals, and R. 15,18,78,676 to Societies (including Societies working collectively as shown above, at works necessitating State advances). Such portion of the loans is accordingly not included in the R. 18,05,11,772 lent to Individuals, as if supplying the funds for such, but is to be reckoned independently.

Working at a rate of interest allowed for loans, varying from 2 to 12 per cent. and rates charged for Advances varying from 6 to 12 per cent., the Societies had collectively netted in Profits R. 1,56,49,459.

The Societies are, as a matter of course, unevenly distributed over the Empire. Among British Empire Societies the Punjab takes first place in respect of the number of Societies with 14,526, followed by Bengal with 12,776, Madras with 11,971, Bihar and Orissa with 7,220, the United Provinces with 6,236, Burma with 5,383, Bombay with 4,655, the Central Provinces and Berar with 4,257, Assam with 947, Ajmer-Merwara with 590, Coorg with 218, Delhi with 213, the North-West Frontier Province with 16, and Hyderabad Administered Area with 8.

Among the Native States Societies Gwalior leads with 2,531, Hyderabad following next with 1,926, Kashmir with 1,636, Mysore with 1,603, Travancore with 1,323, Bhopal with 986, Baroda with 731, Indore with 291, and Cochin with 139.

Classed according to the number of Members in Primary Societies the order is as follows: (1) British Empire India—Madras 745,689, Bengal 446,591, Bombay 438,225, Punjab 399,466, Bihar and Orissa 198,398, the United Provinces 58,719, Burma 135,196, the Central Provinces and Berar 69,223, Assam 45,387, Ajmer-Merwara 15,309, Coorg 10,643, Delhi 4,014, Hyderabad Administered Area 1,889, and the North-West Frontier Province 338. (2) Native States—Travancore 115,025, Mysore 92,933, Hyderabad 47,623, Gwalior 43,177, Kashmir 30,795, Baroda 23,679, Cochin 15,328, Bhopal 13,446, and Indore 115,024.

Once more, classed according to the proportion of Societies per 100,000 population, Provinces and States stand as follows: (1) British India—Ajmer-Merwara 118.0, Coorg 109.0, Punjab 70.2, Burma 46.0, Delhi 42.6, Central Provinces and Berar 30.6, Madras 28.3, Bengal 27.4, Bombay 24.1, Bihar and Orissa 21.2, the United Provinces 13.7, Assam 12.5, Hyderabad Administered Area 8.0, and North-West Frontier Province 0.7. (2) Native States—Bhopal 140.9, Gwalior 79.1, Kashmir 49.6, Baroda 34.8, Travancore 33.1, Mysore 26.7, Indore 26.5, Hyderabad 15.4, and Cochin 13.9.

Ranged according to the number of Members of Primary Societies per 1,000 inhabitants the order is as follows: (1) British India—Coorg 53.2, Ajmer-Merwara 30.6, Bombay 22.7, Punjab 19.3, Hyderabad Administered Area 18.9, Madras 17.6, Burma 11.6, Bengal 9.6, Delhi 8.0, Assam 6.0, Bihar and Orissa 5.8, Central Provinces and Berar 5.0, the United Provinces 3.5, and the North-West Frontier Province 1.2. (2) Native States—Travancore 28.8, Bhopal 19.2, Mysore 15.5, Cochin 15.3, Gwalior 13.5, Baroda 11.3, Kashmir 9.3, Indore 6.3, Hyderabad 3.8.

# INDEX

- ACCOUNT-KEEPING, 118  
 Agricultural Bank of Egypt, 23, 25-30, 33, 66, 82, 127  
 Agricultural Co-operation in Denmark, 241, 242, 243  
 Agricultural Co-operation in Switzerland, 245  
 Agricultural Loans Act, 19  
 "Agricultural Syndicates," 29, 42, 106, 247  
 Agriculture in India, 1, 2, 18, 89, 208, 239  
 Agriculture stimulated by Co-operation, 73, 77, 101, 104, 278  
 "Akharas," 38, 39, 77  
 Alienation Acts, 17  
 American Commission (1913), 158  
 American expert on Indian Irrigation, 249  
 American Irrigation dominated by Co-operation, 249  
 "Andelsbevægelsen" in Denmark, 241, 257  
 Andrimont, Léon d', 42, 104, 186  
 "Animate machine," 34  
 Anti-Usury Act in Great Britain, 11  
 "Apex" Banks, 166, 186-191  
 Arbitration, 93  
 Arminjon, Professor, on Agricultural Bank of Egypt, 27  
 Artisans' Co-operation, 208, 215  
 "Associations Syndicales" in France, 250  
 Audit, 144  
 Avebury, Lord, 43, 129  
 Avergon, Mr. Swamikannu Pillai, 185  
  
 Badly managed Societies, elimination of, 284, 285  
 Balance-sheets and accounts, members' right to inspect, 144  
 Balancing Centres, 161, 221, 222  
 "Banca Popolare" of Milan, 158  
 "Banche Popolari" of Italy, 166  
 Bank of Scotland, 35  
 "Banques Ouvrières" of France, 215  
  
 Beatson-Bell, N. D., 88, 132  
 Belgian Co-operative Credit, 42, 104, 106  
 "Benami" loans, 140  
 Benares weavers, 88  
 Bengal Home Industries Association, 271  
 Bernard, Sir Charles, 45, 47, 59  
 Booth, General, 9, 10  
 Brabazon, Lady, 271  
 Brabrook, Sir Edward, 12, 44, 168  
 Brand, C. J., 258, 259  
 Brander, J. P., on "Takavi," 20  
 British "Co-operative Union," 81, 101  
 British Empire Exhibition, Wembley, 247, 266, 268-270  
 Brockholes, F., 109  
 Brodrick, the late Sir Thomas, 101  
  
 "Caisse Centrale," Gambetta's, 29, 33  
 Calvert, H., 88, 252  
 Capitalist and Co-operative Credit, difference between, 173  
 Capital, lack of, 3, 4  
 Carlyle, Sir Robert, 92, 274  
 Carmichael, Lady, her "Bengal Home Industries Association," 271  
 Carmichael, Lord, on Co-operative Credit, 211  
 "Cash Credit," 31, 35, 36, 139, 242  
 "Casse rurali" in Italy, 166  
 "Catholic" Banks, 166  
 Cattle-breeding, Co-operative, in Switzerland, 260  
 Central Bank, borrowing from, an emergency measure, 183  
 Central Banks, 67, 80, 85, 119, 120, 128, 133, 161 *et seq.*, 222, 240  
 Chambers, Dr. N., 10  
 Character-raising, 93  
 Chatterjee, Sir A. C., 122, 184  
 Chatterton, Sir Alfred, 266, 268  
 Chaudhuri, Rai Paravata Shankar, 226, 233  
 Checking credit, 25  
 Chirol, Sir Valentine, 282  
 "Chitfunds," 38

- Civil Courts' justice, 82  
 "Civil Service Provident and Credit Society," 209  
 Clarke, Sir George, 93  
 "Collecting Banks," 130  
 Collecting deposits, 129  
 Collective Labour, 250, 251, 276  
 Collins, B. A., 90, 92, 185, 265  
 Combination for credit purposes, 169  
 Committee of Credit, 219, 220  
 Committee of Management, 145  
 Committee on Co-operation, 147  
 Committees, size of, 126  
 Common interest, 78  
 Conferences of Registrars, 75, 88, 92, 168, 179, 188, 193  
 Consolidation of holdings, 251-253  
 "Control Committees," 261  
 Co-operation "a great social force," 93  
 Co-operation and banking progress, 221  
 Co-operation a remedy for abuses in India, 2, 17  
 Co-operation as an educator, 91, 92, 94, 101, 102, 108-112, 278-281  
 Co-operation in Agriculture, 73, 96, 278  
 Co-operation in India, rate of progress criticised, 80, 81, 274  
 Co-operation not to be State-governed, 98, 116  
 Co-operative Credit Banking, 103 *et seq.*  
 Co-operative Credit in Belgium, 42, 104, 106; in Denmark, 241, 242; in Egypt, 23, 29; in France, 42, 106, 113, 210, 214, 215, 216, 237; in Germany, 42, 43, 129, 159, 181, 200, 213, 238; in Ireland, 32, 311; in Italy, 42, 104, 113, 237, 242, 244; in Japan, 38, 243; in Poland, 156, 157; in Russia, 13  
 Co-operative Credit starts in weakness, 236  
 Co-operative Fishing Societies, 261  
 Co-operative Gurus, 90, 91, 278  
 Co-operative Housing, 262  
 Co-operative ideals, 274, 275  
 Co-operative Irrigation in England, 249  
 Co-operative Labour, 250, 251  
 Co-operative Mortgage Banks, 202, 203  
 Co-operative Pathshalas, 91, 278  
 Co-operative Production, 214, 215, 271  
 Co-operative Production in France, 214, 215  
 Co-operative progress in India, 72-75, 291, 292  
 Co-operative Sales, 255, 261, 271  
 Co-operative Societies Acts, 1, 64, 67  
 Co-operative Societies, the best thrift institutions, 12, 13  
 "Co-operative Unions" first founded in Germany, 155  
 Co-operative Wholesale Societies, 113, 133, 158, 172, 191  
 Cottage industries, 76, 88, 103  
 Cotton-growers' Co-operation, 258  
 Cotton production, Co-operative, in the United States, 258, 259  
 Cotton, Sir Arthur, 40, 45, 50, 77  
 Councils of Supervision, 115, 124, 125, 144, 145, 218, 219, 220  
 Cow-testing Societies, 257, 261  
 "Crédit Agricole," 32, 127, 202  
 "Credit-capacity," 220  
 Credit combined with other forms of Co-operation, 226  
 Credit, democratised, 16, 34  
 Credit, improvident, 15  
 Credit made fructifying, 235  
 Credit, productive, 16  
 "Credit-worthiness," 219  
 Cromer, Lord, 23, 24, 32  
 Crosthwaite, H. R., 168  
 Cruger, Dr., 156  
 Curzon of Kedleston, Lord, 65, 71, 87, 289  
 Dairying, 255-258  
 Dairy Societies, Co-operative, in Denmark, 257  
 Dangwāras, 39, 77, 254  
 Danish Co-operative Credit, 241, 242  
 Danish High Schools, 279  
 Debentures, "Provincial," 202  
 Decentralisation, 107, 156, 170, 213, 214  
 Denmark introduces Co-operative Credit, 241  
 Denmark, peculiarities of its Co-operation, 242  
 Deposits, 131, 133, 134  
 Deterioration of property, 198  
 Dharma Golas, 227, 232-234  
 Difference between Capitalist and Co-operative Credit, 173  
 Difficulties, 83-87, 276, 277, 282-287  
 "Diseased tissue," 80  
 Dispensaries, 263  
 Distribution, 32, 262, 271  
 District Banks, 179  
 Dobransky, Professor, on "A New World," 106

- Donovan, J. T., 185, 232  
 Dresdner Bank, 156, 164, 165, 190, 201  
 Dupernex, H., 38, 39, 45, 46, 60, 61, 66, 67  
 Durand, Louis, 49, 183
- Educating effect of Co-operation, 91, 92, 94, 101, 102, 108-112, 278-281  
 Education, 76, 90-92, 278-283, 285  
 Egyptian Co-operative Credit, 23, 29  
 Egyptian fellaheen, Government loans to, 23-29  
 Electric power and light, 255  
 Employees' Societies, 209, 210  
 Endowment Fund, 151-153  
 Ewbank, R., 93, 262, 265, 282  
 Executive Committee, 124  
 Expert advice one benefit of Co-operation, 246, 261  
 Extension of Time, 137, 140
- Fairbank, F. G., 249  
 Famine Commission (1901), 20  
 Favourable conditions in Germany, as compared with those in India, 113, 114, 116  
 Federation, 155 *et seq.*  
 Feeding-stuffs, 89  
 Fertilisers, 89, 239  
 Finnish University Students' active propaganda, 280  
 Fishing, 261, 272  
 Five-Feddian Act in Egypt, 29  
 "Fokkingconsulenten," 110  
 French Co-operative Credit, 42, 106, 113, 210, 214, 215, 216, 237  
 "Friend of Labour Loan Societies Act," 82  
 Fuller, P. E., 249
- General Meetings, 124, 125, 144-149  
 General Savings Bank of Belgium, 189  
 German Co-operative Credit, 42, 43, 129, 159, 181, 200, 213, 238  
 Gladstone, W. E., 40, 106, 168, 227, 289  
 Godley, A., 62  
 Gorst, Sir Eldon, 30  
 Gourlay, W. R., an active pioneer, 68, 69, 180, 286  
 Government lending, 18-32  
 Government policy, 79  
 Government servants befriending the Mahajan, 81  
 Grain Banks, 226 *et seqq.*  
 Grain, risks in storing, 228
- "Guaranteeing Unions," 155, 167, 178-185, 284, 287  
 Gupta, G. M.'s "Survey," 88  
 Guru, the Co-operative, 90, 91, 278
- Haas and Raiffeisen Societies' injurious competition, 122  
 Haas Central Bank, 165  
 Haas Union, 119, 130, 165, 245  
 Haas, Wilhelm, 42, 129  
 Haissiyat, 120, 135, 218, 219, 220  
 Hamilton, Sir Daniel, 3, 8, 80, 81, 274, 286  
 Hammond, E. L. L., 7  
 Hand-made goods (Indian) at the British Empire Exhibition, 268-270  
 Hand-made goods (Indian), export to Europe discouraged, 267, 268  
 Havenstein, Dr., 119  
 Hertel, H., 241, 242, 243, 257  
 High Schools in Denmark, 279  
 Hill, Senator B., on costliness of ignorance, 283  
 Hindoos naturally disposed to Co-operation, 38, 39, 72  
 Hindrances to progress, 276, 277, 282-287  
 Holdings, consolidation of, 251-253  
 Holland, Sir T. H., 193, 266  
 "Home Banks," 130, 131  
 Housing, 262  
 Hungarian Co-operation, 106  
 Hunt, B., 281
- Ibbetson, Sir Denzil, 11, 67, 147, 253  
 Ignorance, costliness of, 283  
 Illiteracy, 90, 91, 114, 118, 277  
 "Imperial Union" of Germany, 42, 164  
 Implements, Co-operative employment of, 253, 254  
 Implements, supply of, 89  
 India and the British Empire Exhibition, 247, 266-270  
 Indian Board of Agriculture, 30  
 Indian Industrial Commission, 193, 212, 223, 224, 266  
 Indian Irrigation prospects judged by American expert, 249  
 Indian predisposition to Co-operation, 38, 39, 72  
 Indian village community, 38, 72, 77, 91, 92, 107  
 "In hospital," 183  
 Inspection, 86, 115, 119, 145, 212, 287, 288  
 Insurance, 262

- Interest, rate of, 148  
 "Interlocked" liability, 184  
 International Co-operative Congress, 68  
 Irish Co-operative Credit, 32, 211  
 Irrigation, 77, 248, 249  
 Irrigation Commission, 18, 20, 21, 22, 23  
 Italian Co-operative Credit, 42, 104, 113, 237, 242, 244  
  
 Japanese Co-operative Credit, 38, 243  
 Japanese small industries, 263  
 Jevons, Professor Stanley, 245  
 "Jews" in Germany, 105  
 Johnston, Mr. Joseph, on the Mahajan, 8  
 Joint Stock Companies, 150  
  
 Kaufmann, Dr. W., 258  
 Keatinge, G. F., 21, 30, 31  
 Khedivial Agricultural Society, 239  
 Kutcheri slow repayers, 210  
 Kuttu Chittoo, 38  
  
 Labour, collective, 250, 251  
 "Labour Societies," 250  
 Lakhmi, 227  
 Lánas, 39, 77, 254  
 Land as security, risks of accepting, 196, 197  
 Land Improvement Act, 19  
 Land Reclamation, 253  
 "Landschaft," the Prussian, 194-196, 197, 198  
 Land valuation for mortgage, 197  
 Langley, R. D. M., 185  
 Law, Sir Edward, 60  
 Legislation, 46, 48, 58-65, 71  
 Libraries, 263  
 Litigation mitigated, 92, 275  
 Live stock, 259-262  
 Live stock, importance of quality, 260  
 Live stock improvement, 260  
 Live stock insurance, 262  
 Loans, 133 *et seqq.*  
 Loan Societies, 211  
 Local knowledge, 175  
 Local Societies, importance of, 112  
 Local Societies, size of, 121-123  
 Lubbock, Sir John, 125  
 Luzzatti, L., 104, 110, 117, 128, 129, 143, 151, 155, 156, 176, 187, 274  
  
 Macdonnell, Lord, 45  
 Machinery, Co-operative employment of, 253, 254  
 McKenna, Sir J., 89  
  
 Maclagan Committee, 85, 167, 186  
 Maclagan, Sir Edward, 75, 83, 87  
 Macleod, H. Dunning, 15, 35, 242  
 Madras weavers, 88  
 Mahajan (or Sáhúkár), 3-11, 72, 81, 87, 105, 138, 226  
 Mahajan, defence of the, 3, 4, 5  
 Mahomedans, taking of interest by, 24, 72, 99  
 "Malaria Societies," 256  
 Malpractices, 83-85  
 Many-sidedness of Indian Co-operation, 100, 101  
 Markets (co-operatively organised), 257, 267  
 Marriages, Hindoo, 136, 137  
 Maxwell, Sir William, 133  
 Mehta, V. N., 190  
 Meikle, Mr., 132  
 Memorandums (the Author's) on desirable legislation, 46-59  
 Meston, Lord, 91, 93, 275, 276, 282  
 Metzels, a poor people's village bank at, 117  
 Middlesex Self-help Societies, 38  
 Middleton, Sir T. H., 237, 240  
 Milk, 255-258, 260, 261  
 Milk, contamination of, 255, 256  
 Milk inspection, 257  
 Milk judges, 258  
 Milk supply in the United States, official control of, 256  
 Mischievous influences, 83  
 Mitra, J. M. Rai Bahadur, 16, 84, 88, 90, 94, 132, 233  
 Moberly, A. W., 228  
 "Moberly Grain Gola," 228  
 Moneylenders, 3-11  
*Monti frumentari*, 227, 228  
*Monti nummari*, 228  
 Morier, Sir Robert, 41, 123, 132, 144, 179, 213  
 Mortgage Banks, Co-operative, 202, 203, 204  
 Mortgage Credit, 192 *et seqq.*  
 Mortgage Credit in Denmark, 241  
 Mortgage Credit in Germany, 200, 201  
 Mortgages, 139, 179, 192 *et seqq.*, 241  
 Mortgage transactions, difficulties of, in India, 193, 194, 197, 198  
 Moslems, fraternal feeling among them, 38  
 Mukerjee, Professor R. K., 5, 12, 250, 265  
 Mukhya, 91  
 Munsiffs' justice, 82

- Mutual helpfulness of Co-operation, 101
- National Agricultural Union, failure of the, 111
- Nicholson, Sir Frederick, 6, 8, 24, 28, 38, 44, 66, 77, 106
- Nidhis, 38, 77
- Ninomiyu Sontaku, in Japan, 38, 227
- Non-Agricultural Credit, 208 *et seqq.*
- Non-Agricultural Societies, 74
- Obstacles to progress of Co-operation, 82-86
- "Office of Farm Management" (United States), 119
- One-man rule, 142
- Organisation, 141, 288
- Organisation, unsound ideas of, 110
- Over-centralisation, 177, 178, 187
- Panchayets, 39, 91, 118, 124-127, 136, 140-146, 205, 218, 219, 220
- Panches, 39, 84, 114, 115, 118, 124, 133, 145, 169, 205, 284, 287
- Panjawar, Co-operative experiment in, 44
- Paper transactions, 140, 145
- Passy, M. F., 104, 179
- Pathshalas, Co-operative, 91, 278
- Peasant loans, difficulty of recovery, 26, 27, 28
- People's Banks, 158, 186
- Pioneer Co-operators in Germany, 72
- "Pivot" of system, 120, 182
- Plunkett, Sir Horace, 239
- Polish Co-operative Credit, 156, 157
- Pósitos*, 227, 228, 229-232
- Post Office Savings Bank, the Indian, 12; the Italian, 12
- Poverty, 3, 8, 9
- Poverty disposing to Co-operation, 8
- Preference shareholders, 171
- Principles of Co-operative Credit, 68
- Production, Co-operative, 214, 215, 271
- Progress of Co-operation in India, 72-75, 291, 292
- Promissory notes, 230
- Provincial Banks, 73, 167, 172, 188, 189, 202
- "Provincial Debentures," 202
- Publicity of proceedings, 123
- Pure seed, 259
- Qualification of borrowers, 135
- Raiffeisen and Haas Societies' injurious competition, 122
- Raiffeisen Central Bank, 162-165
- Raiffeisen Societies, 42, 43, 122, 149, 153, 164
- Raiffeisen System, 41, 45, 69, 98, 104-106, 116, 121, 126, 128, 161, 162, 163, 243
- Raiffeisen Union, 118, 127, 164, 165, 200, 245
- Raiyat population, their needs, 2-5, 33, 78
- Rao, Mr. Ramachandra, 168
- Ráthas, 39, 77, 254
- Reay, Lord, 42, 101, 247
- Registrars, 67-69, 70, 79, 80, 82, 99, 100, 137, 181, 228, 286
- Registrars, Conference of, 75, 88, 92, 168, 179, 188, 193
- Registrars, efficiency of, 69, 70, 79
- "Re-loans," 140
- Renewals, 140
- "Rentenbank," the Prussian, 157
- Repayment, 82, 131, 132, 137, 210, 284
- Repayment, tricks to evade, 82
- Reserve Fund, 147-153
- "Revisionsverbände," 181
- Rhineland, Co-operation in, 119
- Risks, 218, 219
- Rivington, Canon, 93
- Rostand, Eugène, 107
- Rural and Working Men's Societies in France, 209
- "Rural atmosphere," 281
- Russian Co-operative Credit, 13
- Salisbury, late Lord, on abundance of money, 34
- Salvation Army scheme, 9
- Savings Banks, German, 13
- Say, Léon, 12, 107, 242
- Scattered holdings, the difficulties of, 89, 251, 252
- Schloss, D. F., 236
- Schoolboys' Societies, 90, 280, 282
- Schools started by Co-operators, 90
- Schulze Delitzsch, 57, 103, 104, 155, 156, 179
- Schulze Delitzsch Banks, 51, 57, 58, 74, 162, 183
- Schulze Delitzsch Societies, 43, 126, 145, 156, 160, 161
- Schulze Delitzsch System, 41, 57, 143, 179
- Schulze Delitzsch Union, 156, 165, 166
- "Schweizerische Volksbank," 54
- Scotch "Cash Credit," 31, 35, 36, 139
- Secretary-Cashier, 141, 142

- Security, 19, 34, 135, 136, 138, 140, 178, 179, 185, 196, 197, 205-207
- Security, Capitalist and Co-operative, 178, 179
- Security, personal, 34, 205-207
- Security, study of, 19
- Seeds, provision of, 76, 89, 239, 247
- Simla Committee, 60, 62
- Simplicity of System, 77, 78
- Simpson, Sir J. Hope, 80, 168
- Sirpanch, 114, 142, 143
- Slate Clubs, 38, 211
- Slavery, state of, under semi-legal "contracts," 7
- Small folk's Society in Italy, 221
- Small industries, 211, 212, 213, 263-272
- "Societies' Borrowing Powers Act," 47
- Solapur weavers, 88
- Sradhs*, 76, 136, 137, 138
- State aid, 17-23, 31, 63, 65, 66, 97, 201, 289
- State aid abused, 66
- State aid, impotence of, 17, 32, 33
- State aid looked for, 18, 201
- State aid, why it was kept down in India, 65
- State interference, 115, 143, 147, 170, 176
- Statistics of Co-operation in India, 73-75, 291, 292
- "Stocking-money," 14, 169
- Stores, Co-operative, 13
- Storks, Sir Henry, 42, 43
- Strickland, C. F., 193, 203, 212
- Success of the Movement, 71-73, 78
- Sugar-cane growing, 8
- Sugar industry, 258
- Supervising Councils, 115, 124, 125, 144, 145, 218, 219, 220
- Supervision, 86, 115, 119, 124-126, 141-146, 174-176, 180, 218-220, 284, 288
- Supply, 89, 239, 244, 245
- Sureties, 135, 139, 140, 178, 204, 206
- Surplus capital, disposal of, 147-153, 189, 199
- Taksil* Societies, 203
- Takavi*, 18-23, 30, 31, 43, 69, 115
- Takavi*, comparative failure of, 23
- Thrift, 11-14, 88, 94, 97, 104, 130, 152, 275
- "Thrift and Credit Societies Bill," 44 (*note*), 45
- Title to property in India, difficulty of verifying, 194
- Union, Co-operative, disciplinary efficacy of, in Germany, 159, 160
- Unlimited liability, 182, 186, 220
- "Urban Credit," 223, 224
- "Urban" Societies, 222
- Usury, 3-11, 107
- Usury, House of Commons and, 10
- Valuation of land for mortgage, 197
- Variety in membership, 63, 209, 210
- Village bankers, 3-8, 9
- Village Community, 38, 72, 77, 91, 92, 107
- Village improvement, 91
- Village Societies, 103 *et seqq.*
- Voelcker, Dr., 19, 20
- Voluntary effort, 36
- Volunteer workers, 287
- Vrooman, C. T., 247
- Walter, H. M., 249
- Weavers, 88, 224
- Wedderburn, Sir William, 41, 58
- Weddings, Hindoo, 136, 137
- Wenlock, Lord, 44
- West Indies, attempt to introduce Agricultural Co-operation, 258
- Wheat, Indian, for England, 234, 247
- Wheat, Indian, Report on, 247
- Willingdon, Lord, on backward state of live stock breeding in India, 259; on the value of sound milk, 255
- Willoughby, R. W. A., 179, 180, 181, 184
- Wilson, Sir James, 60, 67
- Wilson, Sir Leslie, 88
- Winchilsea, Lord, 111
- Wollemborg, Leone, 42, 102, 117
- "Zuivelconsulenten," 110

Third Edition. Demy 8vo. Cloth. Rs. 6.

# THE CO-OPERATIVE MOVEMENT IN INDIA.

The most comprehensive and up-to-date book on the Co-operative Movement in India, including a study of the Co-operative principle and its diverse applications in India and Abroad, together with an annotated edition of the Co-operative Societies Act of 1922.

BY

Prof. PANCHANANDAS MUKERJI, M.A., I.E.S. (offg.), F.R.E.S.  
*Professor of Economics and Political Science, Presidency College Lecturer,  
Calcutta University; Hon. Secretary, the Bengal Co-operative Organisation  
Society, etc.*

WITH A FOREWORD BY  
Mr. J. T. DONOVAN, I.C.S.

---

Royal 8vo. Cloth. Rs. 6.

## Co-operation Comparative Studies AND THE Central Provinces System.

By H. R. CROSTHWAITE.

CONTENTS—Introduction; Part I—The Growth of Environment, Part II—Comparative Studies, Part III—The Co-operative System in the Central Provinces and Behar; Part IV—Accounts, Procedure, Audit, Periodical Returns, Circular Instructions.

---

Third Edition. Demy 8vo. Cloth. Rs. 7-8.

## THE LAW AND PRINCIPLES OF CO-OPERATION.

BEING THE CO-OPERATIVE SOCIETIES ACT  
No. 11, of 1912.

With Introduction, Notes and an Appendix.

By H. CALVERT, I.C.S.

*Registrar, Co-operative Societies, Punjab.*

---

LONDON—W. THACKER & CO., 2, Creed Lane, E.C.  
CALCUTTA and SIMLA—THACKER, SPINK & CO.























